CONTENTS

5 Judicial Control of Tax Negotiation
Sandra Eden

28 Tax Knowledge for Undergraduate Accounting Majors: Conceptual v. Technical
Lin Mei Tan and John Veal

45 Competency of Malaysian Salaried Individuals in Relation to Tax Compliance under Self Assessment
Ern Chen Loo and Juan Keng Ho

63 Quarantining Interest Deductions for Negatively Geared Rental Property Investments
Jim O’Donnell

114 GST and the changing incidence of Australian taxes: 1994-95 to 2001-02
Neil Warren, Ann Harding and Rachel Lloyd

© Atax, The University of New South Wales
ISSN 1448-2398
Competency of Malaysian Salaried Individuals in Relation to Tax Compliance under Self Assessment

Ern Chen Loo and Juan Keng Ho

Abstract
Salaried individuals in Malaysia will commence to comply with the self assessment system when they file tax returns on income derived in the year 2004. However, under the self assessment regime, salaried individuals need to possess some fundamental tax knowledge to file appropriate returns. This study examines white collar salaried individuals' tax knowledge, particularly in relation to chargeable income and exemptions as well as relief, rebates and tax credits that are generally available to individual taxpayers.

The findings reveal that a majority of those surveyed are not able to identify the correct year for which a given income should be chargeable and do not know of the chargeability or exemption of certain income. Besides the personal relief for self, relief for a wife and some relief for children, most do not know of the other relief, rebates and tax credits available, and are not aware of the options available in relation to joint assessment. Although the majority of the respondents had tertiary education, the findings also reveal that they do not possess adequate knowledge on matters pertaining to personal taxation. As such they may lack the competency to file appropriate tax returns under the self assessment system.

INTRODUCTION
Prior to the year of assessment 2001, income taxes in Malaysia were assessed under the Official Assessment System (OAS) whereby taxpayers were only required to file their annual tax returns following which the Inland Revenue Board (IRB) would carry out the assessments and issue the taxpayers with notices of assessment.

Commencing from the year of assessment 2001, the OAS was replaced in stages by the Self Assessment System (SAS). All companies commenced to comply with self-assessment effective from the year of assessment 2001, while self-assessment will be applicable to all salaried individuals commencing from the year of assessment 2004. Although in Malaysia income tax is assessed on the current year basis, but for individuals who derive income in a particular calendar year, the tax law stipulates that assessments need to be filed by 30 April of the following year. Thus for income derived in the calendar year 2004, assessments should be filed by 30th April 2005, whereby for the first time, salaried individuals will be required to file their tax returns under the self-assessment system.

This paper briefly reviews the literature on tax compliance issues in Malaysia, particularly in relation to personal taxation, the objectives of introducing self
assessment and salaried individuals’ knowledge in relation to chargeability to tax, exemption, joint and separate assessment for individuals as well as personal relief, rebates and tax credits that are generally available to individuals. This paper then discusses the objective, methodology and findings of the study.

REVIEW OF LITERATURE

Why from Official Assessment to Self Assessment?
One of the objectives for the implementation of the SAS is to improve voluntary compliance, as the rate of compliance under the OAS was unsatisfactory. Such observation is probably not unjustified, as it was reported that in 1997 (under the then OAS), out of a total of 2.6 million tax returns that were issued, the compliance rate of returns submitted was only 69.2% (Kasipillai et al, 1999).

Another objective for implementing the SAS is to lessen the burden of the Inland Revenue Board (Natrah et al, 2003), particularly in finalising assessments. Under the OAS, from 1990 to 1996 it was reported that approximately 20% to 30% of the annual tax returns were not finalised by the end of each of those years (Kasipillai, 1998).

Compliance Under Self Assessment System
Prior to the implementation of the SAS, taxpayers who had filed their tax returns through professional tax practitioners would have been exercising some form of de facto self assessment in the sense that their tax liabilities would had been worked out by the tax practitioners prior to the submission to the Inland Revenue Board. Thus under the SAS such taxpayers are unlikely to encounter difficulties in relation to appropriate compliance.

Appropriate compliance is taken to mean that one’s tax liability is correctly computed, after taking into account all factors that have a bearing on the tax liability, and that the person who prepares the tax returns is competent to comprehend the relevant tax laws, rules, regulations, guidelines and the IRB’s administrative procedures.

Some individuals who derived income from employment and from other non business sources such as dividend, rent, interest and royalty, might have filed their tax returns without professional advice. For these individuals, appropriate compliance can only be effectively realised if they are aware of and are competent to comprehend the relevant tax laws, IRB’s guidelines, rulings and administrative procedures. As it is, some taxpayers are found to be generally concerned about the uncertainty of the tax law and interpretation of IRB’s rulings (Sivamoorthy, 2003) and are normally at a loss to comply with tax laws (Nakha, 2002). Thus, to ensure appropriate compliance, some taxpayers under the SAS are compelled to solicit the services of professional tax practitioners.

Salaried Individuals’ Competency to Comply
Since the SAS presupposes that taxpayers will be honest, it would be reasonable to state that most of them are likely to comply to the best of their ability. A study by Kasipillai, et al (2003) revealed that taxpayers in Malaysia agreed on the need to comply, that violating tax law was certainly unethical, penalty should be imposed if returns were not filed within the stipulated period and that the majority would comply with income tax laws. However for taxpayers to understand their compliance obligations and to file their returns accurately, they need to be informed (Singh &
Bhupalan, 2001). Thus compliance under the SAS would place an onerous burden on taxpayers, particularly the burden of having to learn the tax laws (Natrah et al, 2003).

One of the factors that may influence the level of compliance by salaried individuals is functional literacy or illiteracy (Madi & Amrizah, 2003). Functional tax literacy is defined as the ability of a taxpayer to file tax returns and calculate his or her own tax liability independently and it encompasses the comprehension of some tax jargons and having basic tax knowledge on what constitute taxable income, allowable deductions, relief and rebates (Madi & Amrizah, 2003). Meanwhile functional tax illiteracy is defined as a situation where a person, who, with some basic knowledge in taxation, but as time goes by, becomes out of date and hence not able to determine his or her income tax liability independently (Barjoyai 1992).

In the early 1990’s, under the then OAS, although most individual taxpayers in Malaysia considered themselves to be tax literate, however it was found that more than 50% of them were “functionally illiterate” (Barjoyai, 1992). About a decade later, in Sarawak¹, Madi and Amrizah (2003) found that very few salaried taxpayers were able to demonstrate high tax literacy, and that the majority of them were not aware of the implementation of the SAS and still would prefer the IRB to assess their tax liabilities.

Kasipillai et al (1999) also found that although more than half of the individuals surveyed indicated that they were able to compute their own taxes, but nearly all of them were in favour of receiving more tax instructions from the IRB as the majority indicated that the income tax law was ambiguous and subjected to frequent changes.

**Academic Qualification and Tax Knowledge**

A study by Madi (1999) on sole proprietors and partners in Sarawak revealed that the level of taxpayers’ academic qualification was linearly and significantly associated with the level of tax knowledge, which is consistent with the contention that a low level of tax knowledge among taxpayers would not contribute to higher level of compliance (Natrah, et al, 2003). However, tax knowledge among secondary school teachers in Sarawak was found to be quite low (James, 1998). Even lecturers at a tertiary education institution in the Klang Valley² were found to be unaware of their obligations to file tax returns (Fazida, 1996) in spite of the fact that teachers and lecturers possess higher educational qualification. Observations by Siti (1996) indicated that individuals who were self-employed and who traditionally possess very low educational standards were ignorant of the tax law. On the contrary, factory workers in the Klang Valley, who generally possess lower educational qualification were found to have a relatively high level of tax knowledge in relation to allowable tax relief (Nor, 1996). Thus, it may be construed that those possessing higher academic qualification need not necessarily possess higher level of tax knowledge.

**Prepared for Self Assessment?**

Under the SAS, one of the objectives of the IRB is, as far as possible, to achieve voluntary compliance by the majority of the taxpayers (Kasipillai, 2002). In fact, it was found that taxpayers agreed on the need to voluntarily comply and disclose their

---

¹ Sarawak is one of the states in the Federation of Malaysia.
² Klang Valley is the geographical area consisting of the Federal Capital of Kuala Lumpur, and the area approximately within a radius of 40 kilometer of Kuala Lumpur.
income (Kasipillai et al, 2003). Although it was found that there was a strong positive co-relationship between tax knowledge and the level of tax compliance (Kasipillai et al, 1999), however a study by Mottiakavandar et al (2003) covering taxpayers in the northern states of Peninsular Malaysia revealed that the level of tax knowledge had no effect on their non-compliance behaviour. Instead, Mottiakavandar et al (2003) found positive co-relationships between attitude towards one’s own compliance with attitudes towards other taxpayers’ compliance, effectiveness of the IRB and fairness of the tax system.

**Experience of some other SA Regimes**

The experience of some other self assessment regimes revealed that the change from the traditional to the self assessment system had lead to changes in the way tax authorities operate and the way taxpayers treat their tax obligations. Although a self assessment regime many have its benefits, which is debatable (Baldry, 1999), it appears to benefit the tax authority rather than the taxpayers, as self assessment relies on taxpayers having good understanding of the complex tax law, and the tax authority may profitably exploit tax law complexity (Hansford & McKerchar, 2004).

Under self assessment, one of the major factors that determines voluntary tax compliance rate is the understanding of the tax law. Unfortunately, the scope of taxation is wide, ambiguous and “… lies at the center of a very busy intersection, the intersection of law, accounting, economics, politics, globalisation and international competitiveness …” (Inglis, 2002, p. 69). Tax law would only be comprehensible if it is simple, unambiguous, and its interpretation is certain. Besides these features, appropriate tax administration’s policies and strategies, such as courteous and good public relations as practiced in Japan (Sarker, 2003) would go a long way in achieving higher compliance rates.

Under self assessment, taxpayers are burdened with the legal responsibilities of getting their assessments right. Experience in some self assessment regimes revealed that most taxpayers would likely turn to tax agents. In Australia, for instance, in 1977/78, 38% of personal taxpayers rely very heavily on tax agents to lodge their returns as compared to 75% in 1991 (Hansford & McKerchar, 2004), and 70% of the taxpayers still found the chores of submitting returns a sufficiently complicated and time consuming process (Baldry, 1999). In the United States that has a long history of self assessment, one out of every two taxpayers still relies on tax agents (Hansford & McKerchar, 2004). In the United Kingdom, a survey revealed that only 55% of the taxpayers were certain that they had neither overstated a deduction nor understated taxable income on their returns (Krause, 2000).

**Personal Taxation**

Under the Malaysian income tax law, an individual’s tax residence status has significant implications on his or her income tax liabilities. Income such as interest on savings and royalties derived from Malaysia by a resident individual shall, under specific circumstances, be either fully or partially exempted from tax. Prior to the year 2004, income derived from outside Malaysia and remitted to, and received in Malaysia by a resident individual were chargeable to income tax. With effect from the year 2004, such remittances are exempted from tax.

Resident individuals, subject to specific circumstances shall be allowed certain relief that will effectively reduce their respective chargeable income. Rebates that will effectively reduce an individual’s tax liability are also allowable, while tax credits are
available to those who derived taxable dividends from Malaysia. In the case of married couples, either of the spouses may opt for joint assessment, while in the event that both are silent regarding their option, separate assessment shall be applied.

**OBJECTIVE OF THE STUDY**

All individual taxpayers, deriving income from employment and, or from non business sources must comply with the self-assessment system in relation to income arising in and after the year 2004. Self assessed returns on income for 2004 should be filed with the IRB by 30 April 2005. In view of the impending implementation of self-assessment for salaried individuals, the objective of this study is to assess the tax knowledge and competency of salaried individuals who have been paying taxes on income derived in and prior to the year 2003, and who are likely to pay income taxes on income derived in and after the year 2004.

The focus of this study is only in relation to salaried individuals deriving income from employment and non-business sources. The individuals’ tax knowledge being examined is restricted to relief, rebates and tax credits that may be available to salaried individuals who are tax residents in Malaysia, as well as knowledge on joint and separate assessment, chargeability of income and exemptions.

**METHOD AND LIMITATIONS**

The data for this study were obtained through a questionnaire survey cum meetings with respondents. They survey cum meetings were conducted from the month of November 2003 to January 2004.

The purpose of the meetings was to clarify the objectives of the survey and explain the contents of the questionnaire. The respondents were particularly made aware that the objective was not to solicit information pertaining to the quantum of their income or tax liabilities, but what was being solicited is basically their understanding and knowledge pertaining to personal taxation.

The respondents are salaried white collar employees who hold middle and senior administrative positions in commerce and industries located in the State of Malacca and who are literate and deriving income from employment, and may also be deriving income from other non business sources. Individuals excluded from this study are those employed in the banking, finance and insurance industries as well as professionals employed in the accounting, tax, legal and corporate secretarial professions.

A total of 250 questionnaires were administered at random. Responses from all respondents were recorded, but only those who had paid income taxes in and prior to the year 2003 are included in this study. Those who have not paid any income tax are excluded on the assumption that these individuals would have no prior experience in personal tax matters. A total of 106 completed questionnaires are usable for analysis. The respondents are only those who exercised their employment in the vicinity of the

---

3 The objective of excluding these groups of individuals is that by virtue of the nature of their occupations, they need to possess adequate tax knowledge.
commercial center of Melaka Raya\textsuperscript{4} in the State of Malacca. Since all respondents are employed and residing in Malaysia, they qualify as resident taxpayers.

Questions to test knowledge on joint and separate assessment, chargeability of income, exemptions, relief, rebates and tax credit are based on responses of either a (1) “YES”, (2) “NO” or (3) “NOT SURE” to each question in relation to these issues. Questions on relief for children are particularly in relation to the year 2003. In addition, three scenarios were designed to test the respondents’ knowledge on (1) the computation of tax chargeable using a given tax table that is applicable to individuals, (2) the chargeability to tax on income remitted to Malaysia and (3) the correct year for which income from bonus should be chargeable to tax.

Responses of either a (1) “YES”, (2) “NO” or (3) “NOT SURE” would be required to the questions posed in the first two scenarios. For the third scenario, respondents were requested to indicate the correct year for which income from bonus should be chargeable, or alternatively, to indicate that they either “DON’T KNOW” or “NOT SURE”.

FINDINGS

This section outlines the profile of the respondents, followed by the results of this study.

Profile Of Respondents

Table 1 presents the profile of the respondents. Slightly more than one-third are female while seven out of 10 are married and eight out of 10 who are married have children. Out of those who have children, most of their children are under the age of 18 years, while some are having children who are still in school, college or university. The highest single age group are those between the age of 31 to 40 years, and nearly eight out of 10 had tertiary education. With regards to their language proficiency to deal with their tax matters, more than 85% considered themselves to be sufficiently proficient in Malay\textsuperscript{5} and English while the remainder considered themselves to be proficient only in English.

Except for the language proficiency and age of respondents, all the other mentioned variables do have some bearings on the tax liabilities of an individual. Proficiency in Malay and English is a relevant factor for this study in the sense that in Malaysia the Income Tax Act and most taxation literature are in English while the income tax return forms are solely prepared in Malay. On the preparation of tax returns, about six out of 10 respondents prepared their own returns in the past while about 12.26\% prepared their returns with the assistance of their respective spouses and another 11.32\% sought the help of others.

Knowledge of Chargeability and Tax Chargeable.

Below are the three scenarios presented to test the respondents’ knowledge on (1) the computation of tax chargeable using a given tax table that is applicable to individuals\textsuperscript{6},

\textsuperscript{4}Melaka Raya is a major commercial center in the State of Malacca.

\textsuperscript{5}Malay is the official language of Malaysia.

\textsuperscript{6}A tax table (for the scale tax rate) has always been provided by the Inland Revenue Board together with the annual notices of tax returns sent to individual taxpayers.
(2) the chargeability to tax on income remitted to Malaysia and (3) the correct year for which income from bonus should be chargeable to tax.

Scenario One: “An individual has a chargeable income of RM70,000. Using the Tax Table provided, are you able to compute his or her tax chargeable?”

Scenario Two: “An individual derived income from outside Malaysia and later remitted the income to Malaysia in the year 2004. Is the income remitted to Malaysia taxable?”

Scenario Three: “In the year 2003, an individual received an income (e.g. bonus), being arrears for the year 2001. In which year should the income (i.e. bonus) be chargeable to tax?”

For Scenario One, the chargeable income of resident individuals are chargeable to tax based on a scale rate, ranging from zero to 28%. In this survey, a copy of the tax rate table was made available to the respondents together with the given hypothetical amount of chargeable income. Only 38.68% acknowledged that they know how to use the tax rate table to determine the hypothetical tax chargeable7, while 33.96% acknowledged that they do not know how to compute the tax chargeable. The remaining 27.36% acknowledged that they are not sure of how to use the table.

Scenario Two is in relation to income derived from outside Malaysia and later to be remitted to Malaysia in the year 2004. Effective from the year of assessment 2004, such remittance is not taxable, and only 22.64% are aware of that. It is significant to note that 52.83% of those surveyed are not sure of whether such remittance is taxable or not, while the remaining 24.53% wrongly indicate that such remittance is taxable.

For Scenario Three, the correct response should be the year of assessment 2001. Only 42.45% are able to successfully identify the correct year of assessment for which a particular income (i.e. bonus) should be chargeable to tax while 41.51% fail to identify the year of assessment correctly and 16.04% are not sure of the correct year.

The findings in relation to some other chargeable and exempted income are reported in Table 2. Nearly eight out of 10 and seven out of 10 respectively know that rental and dividend income are chargeable to tax. As for interest (on savings of less than RM100,000)9, only about one third know that such interest are tax exempted, while the majority are not sure. The majority either do not know or are not sure that dividend received from cooperative societies and from approved unit trusts are exempted from tax10.

**Withholding Tax on Dividends and Tax Credits**

In Malaysia, a company, when paying dividends (that are taxable) to its shareholders, has a statutory obligation to withhold tax at a rate applicable to that company and to

---

7 The respondents were not requested to demonstrate their ability to use the Tax Table to determine the amount of tax chargeable. They only need to acknowledge that they either know, don’t now or not sure of how to use the table.
8 Similar remittance would have been chargeable to tax if remitted in or prior to the year 2003.
9 Interest derived by any resident individual on any deposit not exceeding RM100,000 in any savings or fixed deposit account with any bank or finance company in Malaysia is exempted from income tax.
10 Any dividend paid to unit holders by any unit trust approved by the Government or to members by any Co-operative Society registered in Malaysia is exempted from income tax.
remit the after tax dividends to the shareholders. The amount so withheld by the company shall be available as tax credits to the respective shareholders\textsuperscript{11}.

Although 68.87\% of those surveyed know that dividends paid by banks and finance companies listed on the Kuala Lumpur Stock Exchange are taxable, only 54.71\% know that such companies, upon paying dividends (that are taxable) had already deducted tax from the dividends, while 33.02\% do not know of the tax deduction already made by the companies and 12.27\% are not sure. Out of these 54.71\% (n = 58), only 51.72\% know that taxes deducted from the dividends are available to the shareholders as tax credits, 32.76\% do not know and 15.52\% are not sure.

**Husband and Wife: Joint or Separate Assessment**

Under certain circumstances, a married couple may exercise the option of having their respective income to be assessed jointly, either under the husband’s or wife’s name. However, in the event that they are silent about their option, separate assessment shall be applied.

Table 3 presents the findings in relation to joint and separate assessment. Among the married respondents (n = 75), only about one quarter know that the income of a husband or a wife shall be assessed separately (i.e. if they are silent about their option). In the case of opting for joint assessment, only 26.67\% know that a wife can request for her income to be jointly assessed together with that of her husband while 29.33\% know that a husband can request for his income to be jointly assessed with that of his wife.

In the event of a joint assessment, a husband or wife shall be entitled to a RM3,000 relief in relation to his or her spouse, and a further RM2,500 if the spouse is a disabled person. Two thirds of those surveyed know that a husband is eligible for the RM3,000 relief while only 13.33\% know of the wife’s eligibility. In the case of the RM2,500 relief for disabled spouse, only 22.67\% and 16.00\% respectively know of the eligibility for the husband and the wife.

**Relief and Rebates**

Besides the relief in relation to a husband or wife, there are other relief available to resident individuals, of which the most common is the RM8,000 personal relief for oneself. About 70.75\% of the respondents know of such a relief. Between about one-third and one-half know about the RM5,000 relief for a disabled taxpayer; the RM5,000 (maximum) relief for medical expenses incurred for parents; another relief of RM5,000 (maximum) for medical expenses incurred for oneself, one’s spouse or children who are suffering from serious disease and a further relief of RM5,000 (maximum) for contributions made to the Employee’s Provident Fund and payment of life insurance premium. Only a quarter or less know of the availability of the other relief as presented in Table 4.

Table 5 presents the findings in relation to tax rebates. Only slightly more than one third know of the rebate available to Muslim taxpayers for the amount of zakat\textsuperscript{12} paid; while about one fifth know of the RM400 rebate for the purchase of computer for

\textsuperscript{11} Under the Malaysian Income Tax Act, a company, when paying dividends, not out of exempt income account is required to deduct tax of 28\% from the dividends, and to remit the after tax dividends to the shareholders.

\textsuperscript{12} Zakat is a mandatory religious tithes payable annually by Muslims.
personal use. Less than 10% know of the rebate for fees paid for foreign workers’ work permits and the rebate of RM350 if one’s chargeable income does not exceed RM35,000.

**Relief in Relation to Children**

As reported in Table 6, among the respondents who are married (n = 75), 80% of them (n = 60) have children. Out of those (n = 60) who have children, only 23.33% of them know that child relief in general is available only in relation to an unmarried child. However 83.33% and 78.33% respectively know that a child relief of RM800 shall be allowable if a taxpayer maintains a child who is under the age of 18 years or a child who is over the age of 18 years but still a full time student at pre-tertiary level. For a child who is a full time student at tertiary level in Malaysia, slightly more than one third know that a relief of RM3,200 is allowable, but in the case of a child whose full time tertiary education is outside Malaysia, only 8.33% know that the child relief allowable is RM1,600.

**CONCLUSION**

Taxpayers responding to this study are those exercising their employment in a major commercial center in the State of Malacca, with a majority of them having filed their own personal tax returns in the past years. Although a large majority of them had tertiary education, their tax knowledge pertaining to personal taxation as reflected in the findings may be considered to be relatively low, which is consistent with the findings of James (1998), but contrary to the findings of Madi (1999) and observations made by Siti (1996). With a relatively low knowledge on matters pertaining to personal taxation, these individuals may not be competent and ready to exercise appropriate compliance under the self assessment regime.

An appropriate compliance can only be realized when one’s tax liability is correctly computed, after taking into account all factors that have a bearing on the tax liability. An individual who exercises self assessment has to be competent to comprehend the income tax law and the Inland Revenue Board’s administrative procedures. Given the complexities, uncertainties and ambiguities of the tax law, rules and administrative procedures; taxpayers who are tax illiterate or inadequately informed may either be under-paying or over-paying taxes. To realise appropriate compliance, taxpayers need to be informed and their tax literacy level needs to be enhanced. In this context, since the Inland Revenue Board is entrusted with the statutory authority to administer income taxes in Malaysia, the onus is on the IRB to inform taxpayers and to provide adequate resources to meet the needs of enhancing tax literacy of taxpayers.

Although possession of adequate tax knowledge is essential for taxpayers to exercise appropriate compliance, the impact of the level of tax literacy on the degree of appropriate compliance is uncertain. In this respect, since one of the Inland Revenue Board’s objectives for the introduction of self assessment is to enhance the rate of

---

13 The data for this study were collected between November 2003 and January 2004. Thus the personal tax returns referred to are those filed in and prior to the year 2003, where the official assessment (or formal assessment) system for salaried individuals was still in operation.

14 In Malaysia, for salaried individuals, tax returns in relation to income for the year 2004 will have to be filed by 30 April 2005, where these individuals, for the first time will have to exercise self assessment.
competency (LHDN, 2004), the impact of tax literacy on the rate of appropriate compliance deserves the attention of the Inland Revenue Board and investigations by researchers.

LHDN (i.e. The Inland Revenue Board of Malaysia) listed three objectives for adopting self assessment, namely (1) to modernize and to coordinate tax administration, (2) to create a system that is more efficient and for a more timely collection of tax and (3) to enhance the rate of tax compliance.

15 LHDN (i.e. The Inland Revenue Board of Malaysia) listed three objectives for adopting self assessment, namely (1) to modernize and to coordinate tax administration, (2) to create a system that is more efficient and for a more timely collection of tax and (3) to enhance the rate of tax compliance.
### TABLE 1: PROFILE OF RESPONDENTS*

| Gender | Male | 62.26 % | Not Married | 29.25 % | Malayan and English + | 85.85 % | Female | 37.74 % | Married | 70.75 % | English only | 14.15 % | Total | 100.00 % | Total | 100.00 % | Total | 100.00 % |
|--------|------|---------|-------------|---------|-----------------------|---------|--------|---------|---------|----------|----------|--------|---------|---------|----------|---------|----------|
|        |      |         |             |         |                       |         |        |         |         |           |           |        |         |         |           |           |

* The total number of respondents is 106.
+ Malay is the official language of Malaysia

### Children*: Age and education

<table>
<thead>
<tr>
<th>Having children under the age of 18 years?</th>
<th>Yes</th>
<th>63.33 %</th>
<th>No</th>
<th>36.67 %</th>
<th>Total</th>
<th>100.00 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having children, age 18 years and above and still in school?</td>
<td>35.00 %</td>
<td>65.00 %</td>
<td>100.00 %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Having children, age 18 years and above, still in college or university in Malaysia?</td>
<td>23.33 %</td>
<td>76.67 %</td>
<td>100.00 %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Having children, age 18 years and above, still in college or university outside Malaysia?</td>
<td>15.00 %</td>
<td>85.00 %</td>
<td>100.00 %</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Only 80% (n = 60) of the married respondents have children.
The frequency distributions are based on n=60.

### Age Group & Highest Level Of Education

<table>
<thead>
<tr>
<th>Age Group</th>
<th>21 to 30 years</th>
<th>27.36 %</th>
<th>31 to 40 years</th>
<th>40.57 %</th>
<th>41 to 50 years</th>
<th>18.87 %</th>
<th>51 years &amp; above</th>
<th>13.20 %</th>
<th>Total</th>
<th>100.00 %</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Highest Level Of Education</th>
<th>Secondary School</th>
<th>21.70 %</th>
<th>University or College (Diploma)</th>
<th>35.85 %</th>
<th>University or College (Degree)</th>
<th>33.02 %</th>
<th>Others (Professional)</th>
<th>9.43 %</th>
<th>Total</th>
<th>100.00 %</th>
</tr>
</thead>
</table>

### Preparation Of Income Tax Returns

<table>
<thead>
<tr>
<th>Preparation Of Income Tax Returns</th>
<th>Not Married n = 31</th>
<th>Married n = 75</th>
<th>All n = 106</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who Usually Prepares the Income Tax Return Forms (Officially Known as the Tax Returns)?</td>
<td>N.A.</td>
<td>15.10 %</td>
<td>15.10 %</td>
</tr>
<tr>
<td>The respondent himself / herself</td>
<td>25.47 %</td>
<td>35.85 %</td>
<td>61.32 %</td>
</tr>
<tr>
<td>The spouse (wife / husband) of the respondent</td>
<td>N.A.</td>
<td>15.10 %</td>
<td>15.10 %</td>
</tr>
<tr>
<td>The respondent together with his / her spouse</td>
<td>N.A.</td>
<td>12.26 %</td>
<td>12.26 %</td>
</tr>
<tr>
<td>The respondent, with the help of others (other than spouses)</td>
<td>3.77 %</td>
<td>7.55 %</td>
<td>11.32 %</td>
</tr>
<tr>
<td>Total</td>
<td>100.00 %</td>
<td>100.00 %</td>
<td>100.00 %</td>
</tr>
</tbody>
</table>

N.A. = Not Applicable
**TABLE 2: CHARGEABLE AND EXEMPTED INCOME**

<table>
<thead>
<tr>
<th>Income Received By An Individual: Taxable or Exempted From Tax? (n = 106)</th>
<th>Yes * %</th>
<th>No %</th>
<th>Not Sure %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent received from letting out a house or property. Is the rental income taxable?</td>
<td>79.24</td>
<td>16.04</td>
<td>4.72</td>
<td>100.00</td>
</tr>
<tr>
<td>Dividend received from a bank or finance company (listed on the KLSE). Is the dividend taxable?</td>
<td>68.87</td>
<td>5.66</td>
<td>25.47</td>
<td>100.00</td>
</tr>
<tr>
<td>Interest on savings of less than RM100,000 in any fixed deposit or savings account in any bank or finance company. Is the interest earned exempted from tax?</td>
<td>32.08</td>
<td>9.43</td>
<td>58.49</td>
<td>100.00</td>
</tr>
<tr>
<td>Dividend received by members from a cooperative society in Malaysia. Is the dividend received exempted from tax?</td>
<td>16.98</td>
<td>7.55</td>
<td>75.47</td>
<td>100.00</td>
</tr>
<tr>
<td>An individual received dividend from a government sponsored unit trust (e.g. ASN, ASM).*1 Is the dividend received exempted from tax?</td>
<td>45.28</td>
<td>5.66</td>
<td>49.06</td>
<td>100.00</td>
</tr>
</tbody>
</table>

* A “yes” is the correct response.

*1. ASN is Amanah Saham Nasional (National Unit Trust), and ASM is Amanah Saham Malaysia (Unit Trust of Malaysia), both of which are sponsored by the Malaysian Government.
### TABLE 3: HUSBAND AND WIFE: JOINT OR SEPARATE ASSESSMENT

<table>
<thead>
<tr>
<th>The Respondents</th>
<th>All Respondents (n = 106)</th>
<th>Married Respondents (n = 75)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Husband and Wife: Joint or Separate Assessment and Spouse Relief</strong></td>
<td><strong>%</strong></td>
<td><strong>%</strong></td>
</tr>
<tr>
<td>If both husband &amp; wife have taxable income, can the wife request that her income be jointly assessed together with that of her husband?</td>
<td>Yes *</td>
<td>25.47</td>
</tr>
<tr>
<td>If both husband &amp; wife have taxable income, can the husband request that his income be jointly assessed together with that of his wife?</td>
<td>30.19</td>
<td>23.58</td>
</tr>
<tr>
<td>If both husband &amp; wife have taxable income, and neither do not make any request for joint assessment, will their income be assessed separately under their respective names?</td>
<td>23.58</td>
<td>30.19</td>
</tr>
<tr>
<td>If the income of a husband &amp; his wife are to be assessed jointly under the husband’s name, is the husband entitled to a deduction of RM3,000?</td>
<td>69.81</td>
<td>7.55</td>
</tr>
<tr>
<td>If the income of a husband &amp; his wife are to be assessed jointly under the husband’s name, is the husband entitled to a further deduction of RM2,500 if the wife is a disabled person?</td>
<td>36.79</td>
<td>13.21</td>
</tr>
</tbody>
</table>

* A “yes” is the correct response.
### TABLE 4: PERSONAL AND SOME OTHER RELIEF

<table>
<thead>
<tr>
<th>Description</th>
<th>Yes %</th>
<th>No %</th>
<th>Not Sure %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>A personal relief of RM8,000.</td>
<td>70.75</td>
<td>10.38</td>
<td>18.87</td>
<td>100.00</td>
</tr>
<tr>
<td>A sum amounting to RM5,000 if he or she is a disabled person.</td>
<td>33.70</td>
<td>13.04</td>
<td>53.26</td>
<td>100.00</td>
</tr>
<tr>
<td>Payment of medical expenses (for his or her parents) up to a maximum of RM5,000.</td>
<td>46.22</td>
<td>10.38</td>
<td>43.40</td>
<td>100.00</td>
</tr>
<tr>
<td>Expenses up to a maximum of RM5,000 incurred on the purchase of supporting equipment for the use of himself or herself (if he or she is disabled) or for the use of his or her disabled children.</td>
<td>25.47</td>
<td>8.49</td>
<td>66.04</td>
<td>100.00</td>
</tr>
<tr>
<td>Medical expenses up to a maximum of RM5,000 incurred on himself or herself or on his or her children who are suffering from serious disease.</td>
<td>34.91</td>
<td>8.49</td>
<td>56.60</td>
<td>100.00</td>
</tr>
<tr>
<td>Medical examination fees up to a maximum of RM500 incurred on his or her medical examination.</td>
<td>9.43</td>
<td>6.60</td>
<td>83.96</td>
<td>100.00</td>
</tr>
<tr>
<td>Education fees up to a maximum of RM5,000 incurred on himself or herself or for education or training.</td>
<td>12.26</td>
<td>24.53</td>
<td>63.21</td>
<td>100.00</td>
</tr>
<tr>
<td>Expenses, up to a maximum of RM500 incurred on the purchase of books and, or journals.</td>
<td>24.52</td>
<td>7.55</td>
<td>67.93</td>
<td>100.00</td>
</tr>
<tr>
<td>A maximum of RM5,000 in relation to an individual’s EPF contributions and his or her (or spouse’s) life insurance premium paid.*1</td>
<td>35.85</td>
<td>11.32</td>
<td>52.83</td>
<td>100.00</td>
</tr>
<tr>
<td>A maximum of RM3,000 in relation to medical and educational insurance premium paid.</td>
<td>19.81</td>
<td>14.15</td>
<td>66.04</td>
<td>100.00</td>
</tr>
<tr>
<td>A maximum of RM1,000 in relation payment to the EPF for annuity insurance scheme.</td>
<td>11.32</td>
<td>7.55</td>
<td>81.13</td>
<td>100.00</td>
</tr>
</tbody>
</table>

* A “yes” is the correct response.

*1. EPF is the Employees’ Provident Fund. It is mandatory for employees to contribute to the fund. Upon reaching the age of 55 a contributor is allowed to withdraw his or her contributions from the fund. The amount so withdrawn is not chargeable to tax.
### TABLE 5: TAX REBATES

If an individual has taxable income, in computing his or her tax payable, can he or she deduct the following from his or her tax chargeable?

<table>
<thead>
<tr>
<th>Description</th>
<th>Yes *</th>
<th>No</th>
<th>Not Sure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A rebate of RM350, if his or her chargeable income does not exceed RM35,000.</td>
<td>8.49</td>
<td>17.92</td>
<td>73.78</td>
<td>100.00</td>
</tr>
<tr>
<td>RM400 for purchase of computer for personal use.</td>
<td>21.70</td>
<td>7.55</td>
<td>70.75</td>
<td>100.00</td>
</tr>
<tr>
<td>Fees paid to the Immigration Department to obtain work permit for foreign worker (e.g. domestic maid).</td>
<td>7.55</td>
<td>6.60</td>
<td>85.85</td>
<td>100.00</td>
</tr>
<tr>
<td>The amount of zakat paid by a Muslim individual. *1</td>
<td>37.74</td>
<td>16.98</td>
<td>45.28</td>
<td>100.00</td>
</tr>
</tbody>
</table>

* A “yes” is the correct response.
*1. Zakat is a mandatory tithe payable annually by Muslims.
### TABLE 6: RELIEF IN RELATION TO CHILDREN

<table>
<thead>
<tr>
<th>The Respondents</th>
<th>All Respondents (n = 106)</th>
<th>Respondents Having Children (n = 60)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>When an individual has taxable income, in computing his or her chargeable income, can he or she deduct the following from his or her income?</strong></td>
<td><strong>Yes</strong> *</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>RM800 for each child who is under 18 years old.*1</td>
<td>75.47</td>
<td>10.38</td>
</tr>
<tr>
<td>RM800 for each child whose age is 18 years or more, but still a full time student in school.*1</td>
<td>70.75</td>
<td>8.49</td>
</tr>
<tr>
<td>RM3,200 for each child whose age is 18 years or more, but still a full time student in a university or college in Malaysia.*2</td>
<td>41.51</td>
<td>23.58</td>
</tr>
<tr>
<td>RM1,600 for each child whose age is 18 years or more, but still a full time student in a university or college outside Malaysia.*3</td>
<td>6.60</td>
<td>33.02</td>
</tr>
<tr>
<td>RM5,000 for each disabled child.</td>
<td>33.96</td>
<td>9.43</td>
</tr>
</tbody>
</table>

Is it true that any deduction for a child will only be allowed if that child is unmarried? | 27.36 | 9.43 | 63.21 | 100.00 | 23.33 | 13.33 | 63.33 | 100.00 |

* A “yes” is the correct response.

*1. Effective from the year 2004, such relief is RM1,000 instead of RM800.

*2. Effective from the year 2004, such relief is RM4,000 instead of RM3,200.

*3. Effective from the year 2004, such relief is RM1,000 instead of RM1,600.
REFERENCES


James, G. A. (1998), “Tax Literacy among School Teachers in Lawas, Sarawak”, Paper submitted to the *School of Accountancy, MARA Institute of Technology*, Shah Alam as partial fulfillment for the Bachelor of Accountancy (Hons.).


