School of Business Law

Determinants of Effective Tax Investigations in Malaysia from the Tax Authority's Perspective

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This thesis is presented for the degree of Doctor of Philosophy of Curtin University

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DECLARATION

To the best of my knowledge and belief, this thesis contains no material previously published by any other person except where due acknowledgement has been made.

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

Signature : _____

John Tensay Peter Raig

Date : 24th **December 2015**

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DEDICATION

This thesis is dedicated in memory of my youngest daughter, Mary.

LIST OF ABBREVIATIONS

ANOVA	-	Analysis Of Variance
ATO	-	Australian Taxation Office
AUSTRAC	-	Australian Transaction Reports and Analysis Centre
CDPP	-	Commonwealth Director of Public Prosecution
EDM	-	Economic Deterrence Model
EFTPOS	-	Electronic Fund Transfer at the Point of Sale
IRBM	-	Inland Revenue Board of Malaysia
IRS	-	Internal Revenue Service of the U.S.
SOP	-	Standard Operating Procedure
SPSS	-	Statistical Package for Social Science
TRA	-	Theory of Reasoned Action
TPB	-	Theory of Planned Behaviour
UK	-	United Kingdom
US	-	United States
www	-	World Wide Web

PUBLICATION FROM THIS THESIS

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(This article is extracted partly from Chapters 2 and 5 of this thesis)

CONFERENCE PRESENTATIONS FROM THIS THESIS

Raig (2015), "Exploring the Factors Affecting the Effectiveness of Tax Enforcement". Paper presented at the *Australasian Tax Teachers' Association Conference*, University of Adelaide, South Australia.

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ABSTRACT

The effectiveness of tax investigations is expected to be influenced by the tax authority's ability to plan and enforce its tax investigation system, within the power of the income tax law. Thus, in this context, the main objective of this research is to explore the determinants of effective tax investigations, from the Malaysian Inland Revenue Board's (IRBM) perspective. This study sought to identify factors that may influence the effectiveness of tax investigations, and the nature of their influence, in relation to deterrence of tax non-compliance in Malaysia. In addition, demographic variables such as age, gender, level of education and years of work experience were also examined to support the findings for the main factors, wherever necessary. Six research questions were developed to address the research objectives.

In order to complement the study findings from the IRBM's perspective, a qualitative study was conducted with the Australian Taxation Office (ATO) senior officers, and the results of this study served as the point of reference, wherever possible, for the IRBM in its tax enforcement area.

The study was conducted through two qualitative research methods (interviews) and one quantitative research method (survey) in three stages. The first stage commenced with a qualitative study (IRBM) that was exploratory in nature, and the respondents were the IRBM's Senior Investigation Officers. The second stage involved quantitative study and the respondents were the IRBM's Investigation Officers. The third stage involved qualitative study with the ATO's Senior Officers, which was explanatory in nature.

The findings derived from the aforementioned research methods were analysed and interpreted to address the research questions. It was revealed that professional proficiency, tax enforcement strategies and the severity of tax penalties have a significant influence on the effectiveness of tax investigations. As there was no prior comparable empirical evidence in relation to the issue of this study, its findings contribute to the existing knowledge associated with tax enforcement and deterrence. Professional proficiency of the IRBM officers was found to have the most direct and significant influence on the effectiveness of tax investigation, followed by tax enforcement strategy and severity of tax penalties.

Finally, several implications were identified from the findings of this study. Positively, these implications would usefully serve to help the IRBM to formulate and enhance its tax enforcement system into the future.

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