



Abstract

- Aggressive tax planning (ATP) might be the hidden agenda between tax avoidance and tax evasion.
- Tax evasion is not a victimless crime as it affects the tax collection and contributes to tax loss, affecting social and economic equity.
- It was reported that few affected countries have responded via measures of enforcement taken as ATP gives risk to their tax base and tax loss. Malaysia has just started combatting aggressive tax planning schemes since 2016 and provides no turning back in fighting ATP schemes.
- This study investigated the determinants of the effectiveness of tax enforcement on ATP in Malaysia from the perspective of the Inland Revenue Board of Malaysia (IRBM) by examining the complexity of tax laws, the complexity of ATP schemes, professional proficiency of officers (knowledge and skill) and the tax enforcement strategy by IRBM.
- This study is important, especially to IRBM, to ascertain whether the current tax enforcement mechanism is sufficient, efficient, and proficient in curbing the ATP schemes in Malaysia, which will also contribute to Malaysia's tax compliance.
- This study adopted the quantitative research where it employed primary data from survey questionnaires involving 119 respondents from IRBM audit and investigation officers responsible for ATP cases in Special Task Department and Large Taxpayer Branch at Jalan Duta, Kuala Lumpur.
- The data were analyzed using Statistical Package for Social Sciences (SPSS), which involved the descriptive, reliability, factor, correlation, and regression analysis.

- The current study's findings showed that effective tax enforcement on ATP cases in Malaysia was strongly influenced by tax enforcement strategy, the complexity of ATP schemes, and the investigation and audit officers' professional proficiency (knowledge and skill). However, the complexity of tax laws does not have a significant relationship with the effective tax enforcement on ATP cases in Malaysia.

Problem Statement

- As ATP has been alarming the whole world on the tax loss borne by the governments, OECD (2011b) has reported that few affected countries have responded via measures of enforcement taken as ATP gives risk to their tax base and tax loss.
- It was proven in the United Kingdom that the ATP schemes had caused a tax loss of £12 billion (OECD, 2011a). Malaysia also experienced the same effect.
- As the target of collection set by the Government of Malaysia is increasing year by year, it was reported that tax loss due to the activities of ATP is also increasing every year (IRBM, 2016). This shows that these activities that defeat the purpose of tax laws have become a serious business in tax issues that need to be tackled by efficient tax enforcement strategies.
- After four years in the field, this study was carried out to measure determinants towards the effective tax enforcement on ATP cases in Malaysia from the perspective of IRBM.
- Starting from 2017, a continuing momentum in curbing the ATP issues in Malaysia has been taken by introducing the Aggressive Tax Planning Division in the Special Task Department of IRBM (Hani, 2017). However, few strategies have been taken to curb ATP schemes. As a result, increasing numbers in ATP cases have been discovered by audit and investigation with huge tax loss.

- This proves the impact of ATP towards tax loss in Malaysia affected by IRBM enforcement activities. It was reported in the unpublished secondary data of the statistic report of IRBM that 35 cases were investigated in 2017, giving the impact of tax loss amounting to RM998.93 million. In the previous year, 31 ATP cases resolved amounting to tax and penalties of RM564.04 million (IRBM, 2016). It shows the increase of tax loss compared to the number of cases audited or investigated, and this is a worrying concern to IRBM as everyone should pay his fair share of tax. As of December 2019, it was reported in an unpublished report that there were 235 ATP cases resolved, amounting to tax and penalties of RM2.07 billion.

Research Question

- Do the complexity of tax laws, the complexity of aggressive tax planning schemes, professional proficiency (knowledge and skills), and the tax enforcement strategy of IRBM contribute to a significant influence on effective tax enforcement on aggressive tax planning cases in Malaysia?

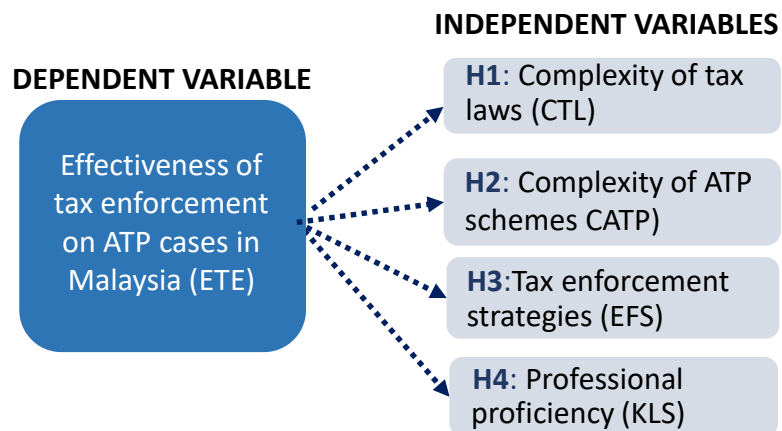
Objective

- To investigate the influence of complexity of tax laws, the complexity of aggressive tax planning schemes, the tax enforcement strategy of IRBM, and professional proficiency (knowledge and skills) on effective tax enforcement on aggressive tax planning cases in Malaysia.

Framework

Source :

Integration of the Theory of Planned Behavior by Ajzen (1991) and the A-S Model from Theory of Tax Evasion by Allingham & Sandmo, (1972)



Findings

- H1 is unsupported in this study.**
Complexity of Tax Laws (CTL) has no significant relationship with the Effectiveness of Tax Enforcement (ETE).
- H2 is supported in this study.**
Complexity of ATP Schemes (CATP) has a significant relationship with Effectiveness of Tax Enforcement (ETE).
- H3 is supported in this study.**
Tax Enforcement Strategies (EFS) shows there is a significant relationship to Effectiveness of Tax Enforcement (ETE).
- H4 is supported in this study.**
Professional Proficiency (KLS) shows there is a significant relationship to Effectiveness of Tax Enforcement (ETE).

- EFFECTIVE TAX ENFORCEMENT:** To the best of the researcher's knowledge, effective tax enforcement of ATP cases in Malaysia has not been explored, which creates a research gap for the researcher to examine further
- COMPLEXITY OF ATP SCHEMES:** In this current study, the researcher attempted to examine the relation of the complexity of aggressive tax planning schemes and the effective tax enforcement on aggressive tax planning cases in Malaysia.
- PROFESSIONAL AND PROFICIENCY:** To the best of the researcher's knowledge, the relation between professional proficiency as to knowledge and skill of tax auditors and investigators with the effective tax enforcement on aggressive tax planning cases in Malaysia has not been explored, even though OECD and European Commission have explored it in their participating members countries.

Methodology

Quantitative Research

Primary Data:
Questionnaires to the respective respondents

Sampling:
119 out of a population of 130 officers in the Special Task Department and Large Tax Branch Officers in Kuala Lumpur.

Data Analysis Techniques:
Descriptive analysis, reliability test, factor analysis, correlation analysis, and multi regression analysis.

Data were analyzed using:
Statistical Package for Social Sciences (SPSS).

Conclusion

- The study examined the variances of CTL, CATP, EFS, and KLS to determine factors that influence the effectiveness of tax enforcement on ATP cases in Malaysia. The complexity of ATP schemes, tax enforcement strategies and professional proficiency of the IRBM officers significantly influenced the effectiveness of tax enforcement on ATP cases in Malaysia.
- COMPLEXITY OF TAX LAWS:** It was also evidenced from past studies that tax law complexity affects the performance and confidence of tax administrators which directly affect the aim of the governments in revenue collections even though this variable does not affect the intention of IRBM to achieve the effective tax investigation in Malaysia.

Research Gap

- As this is a newly explored area in academic research in Malaysia, there is no published academic research discussing and examining the effectiveness of tax enforcement on ATP cases in Malaysia, either from the public perspective or from the IRBM perspective.
- For future research, researches on the same issue will be conducted with taxpayers and/or tax agents as the survey respondents.
- Furthermore, more comparative studies related to tax enforcement on ATP cases by other tax authorities particularly from the same South East Asian region.
- Future research can also be conducted to include other factors such as the involvement of tax practitioners and severity of tax penalties.