



Factor of Enhancing Sales and Services Tax Compliance
among Small Medium Enterprise (SMEs) In Kelantan

by

BULKINI BIN MOHD YASIN

A thesis submitted in fulfilment of the requirements for the degree of
Master of Business Administration

Malaysian Graduate School of Entrepreneurship & Business
UNIVERSITI MALAYSIA KELANTAN

2020

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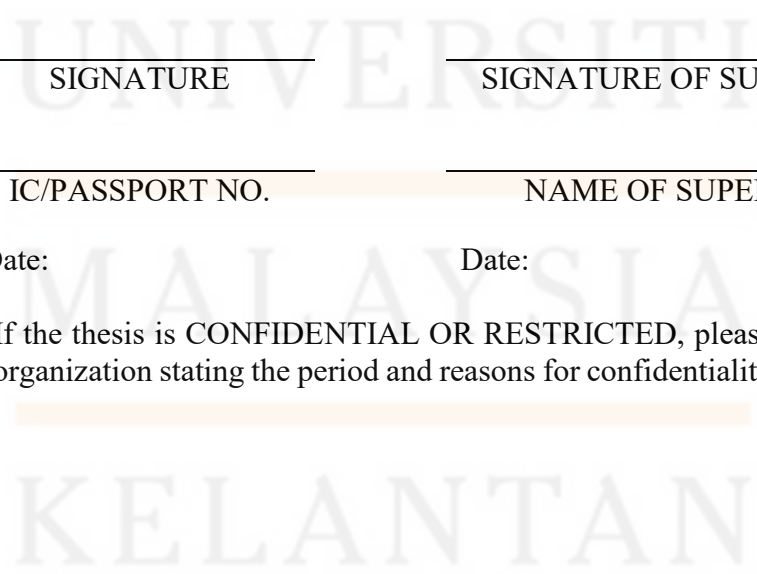
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ACKNOWLEDGEMENT

First and foremost, Alhamdulillah all praise be to ALLAH S.W.T, Most Gracious and Most Merciful for giving me the strength and His blessing in the completion this research within a given period. It is honor and glad to announce that I can successfully complete my thesis (GST 5123). I have been helped by many parties, be it informal or formal. Therefore, I would like to grab this opportunity to say thank you very much to those people who have given me the great helping to complete my thesis.

I would like to express my deepest appreciation and thanks to my supervisor, Dr Suhaila Binti Abd Kadir who always guides me with the good idea and sharing his experience. Her commitment, patience, professional and goal oriented help me to complete my thesis. Special thanks to my beloved wife (Suhaila Mohamad Noor), sons (Mohamad Amirul Firdaus and Mohamad Aiman Asyafi) and my daughter (Nur Qistina Batrisyia) because you all are my inspiration and always give supported in completing my thesis.

Finally, may Allah S.W.T bless all the related parties which involving in the success of this study either directly or indirectly.

Thanks to all.

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LIST OF ABBREVIATIONS

GST	Goods and Services Tax
SMEs	Small and Medium Enterprises
RMCD	Royal Malaysian Customs Departments
IRBM	Inland Revenue Board of Malaysia
VAT	Value Added Tax
SST	Sales and Services Tax
SPSS	Statistical Package for Social Science
GDP	Gross Domestic Product
MNCs	Multi-National Companies
NTA	National Tax Administration
ICT	Information Communication Technology
SWOT Analysis	Strength, Weaknesses, Opportunities and Threat Analysis
PEST Analysis	Political, Economic, Social, and Technology Analysis
KPDNKK	Kementerian Perdagangan Dalam Negeri, Koperasi, dan Kepenggunaan
SMK	Sistem Maklumat Kastam

Faktor Meningkatkan Pematuhan Cukai Jualan dan Perkhidmatan Terhadap Perusahaan Kecil Dan Sederhana Di Kelantan

ABSTRAK

Pelaksanaan Cukai Jualan Dan Perkhidmatan (SST) oleh kerajaan Malaysia pada 1 September 2018 menyumbang kepada pelbagai persepsi dan kesan daripada masyarakat Malaysia, baik secara positif atau negatif. Kajian ini bertujuan untuk mengkaji faktor-faktor yang Meningkatkan Pematuhan Cukai Jualan dan Perkhidmatan (SST) ke atas PKS dengan rujukan khusus kepada unsur pematuhan cukai yang merupakan kesedaran, pengetahuan, teknologi, dan saiz perniagaan. Jabatan Kastam Diraja Malaysia (JKDM) dipilih oleh kerajaan sebagai 'pemungut' untuk mengutip cukai dari pelanggan. Terdapat 108 PKS dipilih sebagai responden dalam kajian ini. Kaedah ini menggunakan analisis rangka kerja teori. Analisis adalah penting untuk mengkaji keadaan semasa Jabatan Kastam Diraja Malaysia (JKDM) dan rangka kerja teori disokong oleh penyelidikan terdahulu dalam mengenalpasti faktor yang menyumbang kepada pematuhan cukai. Analisis deskriptif seperti frekuensi dan perbandingan min, serta analisis statistik kesimpulan contohnya Korelasi Pearson, Analisis Regresi Berganda. Terdapat hubungan yang signifikan antara kesedaran, pengetahuan, teknologi kepada pematuhan cukai. Sementara itu, tiada hubungan yang signifikan antara saiz perniagaan dengan pematuhan cukai.

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Factors of Enhancing Sales and Services Tax Compliance among Small and Medium Enterprises (SMEs) in Kota Bharu Kelantan

ABSTRACT

The implementation of SST by the Malaysian government on 1st September 2018 contributes towards various perceptions and effect from Malaysian society, either positively or negatively. This study aims to examine the factors that Enhancing Sales and Services Tax Compliance (SST) on SMEs with the particular reference to element of tax compliance which are awareness, knowledge, technology, and size of the business. Royal Malaysia Customs Department (RMCD) is chosen by government as 'collector' to collect tax from customers. There are 108 SMEs have been chosen as respondents in this study. This method is using analysis and theoretical framework. This is important to examine current situation of Royal Malaysia Customs Department (RMCD) and the theoretical framework is supported by previous researches in identified the factors contributing towards tax compliance. Descriptive analysis such as frequencies and mean comparison, as well as inferential statistical analysis example Pearson Correlation, Multiple Regression Analysis as has been utilized. There is a significant relationship between awareness, knowledge and technology to tax compliance. Meanwhile there is no significant relationship between sizes of the business to the tax compliance.

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CHAPTER 1

INTRODUCTION

1.1 Background of the Study

SMEs are defined as businesses that involve manufacturing and sales of not more than RM50 million (USD12 million) with less than 200 full-time employees not only that it also includes businesses in other sectors with sales turnover of less than RM20 million (USD4.8 million) or with less than 75 full-time employees (SME Corp, 2016). In Malaysia, SMEs have played a key role in driving the country's economic growth. At the 2011 Malaysian Economic Census, SME activities accounted for 97.3% of business growth in 2010 or 645,136 businesses (SME Corp, 2016). SMEs have contributed to the country's positive growth by contributing about 36.3% to Malaysia's Gross Domestic Product (GDP), 65.5% to new job creation (approximately 6.6 million workers), and contributing to export value of 17.6% of total exports, (SME Corp, 2016) results showed that in the Klang Valley (Selangor and Federal Territories: 35.7% were from SME donations) and followed by Johor (10.3%), Perak (8%) and Kedah (6.8%). The highest number of SMEs is contributed by the states on the East and North Coast of Kelantan, Perlis, Johor, Kedah and Pahang with the majority accounting for 88-95% of all businesses (SME Corp, 2012). In terms

of activities, SMEs may be involved in the activities of the manufacturing and services sectors or other sectors. They are also involved in a variety of activities ranging from small businesses, retailing, contracting to supplying parts and components to Multi-National Companies (MNCs) and providing professional services such as software firms or medical researchers and some selling their services overseas country. SMEs also operate in and out of the country. There are also online, physical, domestic, regional and international businesses (Khan and Khalique, 2014).

This study focuses on identifying key factors in improving the level of understanding of SST compliance to SMEs by showing that tax decisions on SMEs are likely to be personalized that can be characterized as individual decision makers and that they continue to develop well programs designed to increase compliance levels through strong advocates for the government and the country in particular. This SST study was conducted in reference to the theory of Action Considered as the attitude and intention of the taxpayer to play an important role in determining the impact that SST has on SMEs (Bidin and Shamsudin, 2013).

The key variables that determine successful SST compliance will be measured to enable SMEs to embrace SST implementation positively. Researchers will begin the study "Finding Factors Increasing Sales Tax and Services Tax (SST) on SMEs" with specific reference to tax compliance elements that are awareness, knowledge, technology, and business size.

1.2 Problem Statement

The major concern to policy makers is tax compliance, society and tax administrators generally According to Tan and Sawyer (2003). Due to the tax compliance can effects on collection revenue and for the government's its competency to achieve fiscal and social goals. Nkwe (2012), found the tax compliance is degree in which a taxpayer required towards regulation and tax rules. For Wearne (2013), his belief to perceive SST to be legitimate are the drivers of SST compliance, 'the right thing to do' are fair and it is morally. A study by Saira, Zariyawati, and Yoke-May (2014) found many citizen are not aware of the kind levied of taxes to them. They have a knowledge limited on government true the cost expenditures and for public services provided by the state government. Many misconceptions on the true value of tax has created for this poor awareness. The Organisation for Economic Co-operation and Development (2009; 2013) has find that tax compliance activities affect SMEs more than larger organizations. Palil et al. (2013), find out more SMEs had a low level of awareness and knowledge of SST requirements especially for accounting system that they need to buy and use it.

Registrants must know how to operate the correct SST Tax Codes when using this accounting system to submit SST Returns Form to authorities. It is made create complexities for SMEs because they must identify day-to-day operations that too sure is it have SST or no SST implications and tag them with

the suitability SST code, which have differ across transactions and industries, prepare the proper SST documentation likes authentic invoices for all transactions, and record for the two month SST returns. The impact SST registered for SMEs is whether they become first time adopters of an accounting system or for this that already have an accounting system must make sure that their accounting system is SST compliant and be able to accommodate SST requirements (The Star, 2014).

An important implication for SMEs is demand as SST places their financial activities and operations. For example, a two-month wide transaction can put pressure on SMEs to have dedicated staff with sufficient competency to monitor SSTs imposed on government customers. This has been mitigated by Rametse and Yong (2009) that they find that many small business taxpayers are dissatisfied with paying SST due to the tedious paperwork that needs to be provided. In terms of SMEs' organizational structure, there is the flexibility of change as businesses need to create more flexibility to adapt to changes in the informal structure of the environment and due to its size. The owner has to do everything and the employees are expected to usually act as general because there is no clear assignment. Tax compliance is especially important when The Star (2016) reports that many business owners are not in compliance with SST regulations and have been warned to pay their Sales and Services Tax (SST) on time or face penalties from the Customs Department. For example, about 32,000 SST registrations do not comply with SST (New Straits Times, 2017). Most are

retailers and they give a lot of reason to not have enough employees to file timely returns due to the size of the business. They must know that the money collected through SST is not theirs. They should be responsible for sending it to RMCD on time. For these offenders, the department has issued compound fines and if they do not resolve it, they will be taken to court.

According to Amanuddin et al. (2016) the most effective way to raise public awareness of SST knowledge is to understand that SST for Malaysians, at the basic level, is still neglected to convey. This statement is supported by a study directed by Palil and Ibrahim (2011), suggesting that respondents' level of awareness is associated with knowledge taxes. Individuals are currently thinking that SST will increase the cost of goods due to lack of information about SST. Thus, respondents who do not know about SST will have a negative perception of SST implementation. This study aimed to bridge the research gap to identify tax compliance with research that is the dominant factor that may influence SST Compliance among SMEs.

1.3 Research Objectives

Research objectives for this study is to determine is it all the SST compliance are related to the issues that been recognized. The objectives are follows:

- 1.3.1 Identify relationship between awareness and Tax compliance among Small and Medium Enterprises (SMEs) in Kelantan.
- 1.3.2 To examine the relationship between knowledge and Tax compliance among Small and Medium Enterprises (SMEs) in Kelantan.
- 1.3.3 To study the relationship Tax compliance between technology among Small and Medium Enterprises (SMEs) in Kelantan
- 1.3.4 Made study relationship between size of the business and Tax compliance among Small and Medium Enterprises (SMEs) in Kelantan
- 1.3.5 To identify the most important factors that influence tax compliance

1.4 Research Questions

The research questions are focusing on:

- 1.4.1 How is the relationship between awareness and Tax compliance among Small and Medium Enterprises (SMEs) in Kelantan?
- 1.4.2 Is there any relationship between knowledge and Tax compliance among Small and Medium Enterprises (SMEs) in Kelantan?
- 1.4.3 Is there any relationship between Technology and Tax compliance among Small and Medium Enterprises (SMEs) in Kelantan?
- 1.4.4 What is the relationship between size of the business and Tax compliance among Small and Medium Enterprises (SMEs) in Kelantan?

1.4.5 What is the most important factor that influence Tax compliance among Small and Medium Enterprises (SMEs) in Kelantan?

1.5 Significance of the Study

This research will provide valuable information and benefits to researchers, organizations and general elements as described below:

1.5.1 The Organization

This study will also contribute to the RMCD where they can review this study on how to maintain or increase tax compliance among SST registrants especially SMEs who look at the elements of business awareness, knowledge, technology and size and from the elements that can be improved by RMCD or improving it for the better.

1.5.2 The Researcher

By conducting this study, the researchers can use the knowledge they learn and at the same time giving exposure to the researchers in the field of research and information on the management and operations.

1.5.3 General

This study gives so much meaning in general. This study will outline the elements of business awareness, knowledge, technology, and size in improving SST compliance.

1.6 Scope of the Study

The scope of this study focuses on 4 determinants of SST compliance such as awareness, knowledge, technology, and organizational size to determine whether these variables will lead to an increase in Sales and Service Tax Compliance to SMEs. Kelantan is a state famous for its dynamic entrepreneurship especially among small and medium enterprises (SMEs) popular and recognized by most Malaysians. In addition, it is the gateway to the East Coast of South Thailand and the Stop Islands provide excellent business opportunities. Under this study, Kota Bharu was chosen because it is a business center and in fact SMEs represent the majority of 88 to 95% of all businesses (SME Corp, 2012). Researchers chose Kota Bharu SMEs because most of them are registered with SST compared to other districts. To obtain information and data, the researchers distributed the questionnaire to SMEs by selecting 108 respondents as sample size and using sampling technique as sampling technique. For the questionnaire, respondents were required to answer questions

consisting of four sections and the measurement was measured using an interval scale.

1.7 Definition of Terms

1.7.1 Sales and Services Tax

The Sales and Services Tax (SST) has been implemented in Malaysia. The SST replaces the existing Goods and Services Tax (GST) and affects all domestic and import shipments. The SST has two elements: a service tax that is charged and levied on taxable services provided by any taxable person in Malaysia in the course and furtherance of business, and a single stage sales tax levied on imported and locally manufactured goods, either at the time of importation or at the time the goods are sold or otherwise disposed of by the manufacturer.

1.7.2 Tax Compliance

This means making tax payments and producing and submitting information to tax authorities on time and in the required format.

1.7.3 Awareness

Consciousness or awareness is the ability to know and feel directly, to feel, or to experience. More broadly, it is a situation or something.

1.7.4 Knowledge

In general, knowledge is a human faculty that is made up of interpreted information; a growing understanding of the combination of individual data, information, experiences and interpretations.

1.7.5 Technology

Technology is the purpose of information usage in the design, production, and use of Sales and services, and in the organization of human activities.

1.7.6 Size of the Business

The size standard, usually expressed in the number of employees or the average annual income, representing the largest size of the business (including

its subsidiaries and affiliates) can be classified as a small business for SBA and federal contract programs. The definition of “small” varies by industry.

1.8 Limitation of the Study

The current situation is identified and the selected population is SMEs in Kota Bharu, Kelantan. The challenge is to get the RMCD top management's permission to do this research. This is because not all information is provided because some information is confidential and confidential. In addition, SME responses may differ due to different ways of understanding the purpose of the research. For example, some respondents feel unfair when responding and providing information because of their personal conflicts. Lack of cooperation is also one of the biggest challenges facing researchers. Respondents were questionable and uncomfortable when they were asked to cooperate in a study. However, the researchers explained the nature of the study and the purpose it was intended for academic purposes and the information would be considered confidential.

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CHAPTER 2

LITERATURE REVIEW

2.1 Preamble

This chapter will focus on random reviews and discussions of previous studies related to this study. Literary review means the comprehensive study documentation of published and unpublished work from secondary data sources in the field of special interest. Literature review is important in doing research and there are reasons why it is so important for this research and it is mandatory for the research paper to be owned. The reasons may include ensuring that no important variables are ignored that have been found repeatedly to affect the problem. For this chapter, it will focus on the factors contributing to the Sales and Services Tax (SST) compliance to prove that the independent variables are acceptable to complete this study.

2.2 Tax Compliance

Marziana, Norkhazimah, and Mohmad Sakarnor (2010) state that tax compliance can be defined as the level of compliance (or non-compliance) with their country's tax regulations, for example by declaring their income (threshold

amount annually), filing a statement (Form SST-03) and pay taxes on time. Tax compliance is different from tax avoidance and tax evasion where both can be defined to pay the correct tax amount (when submitted Form SST-03) in the right place (to the authorities - RMCD) at the right time (tax applicable) paid) where the right means that the economic material of the transaction is in accordance with the place and form in which they are reported for tax purposes (Muhammad Syafiq et al., 2015). In other words, Marziana et al. (2013) state that taxpayers are better prepared to comply with tax compliance if they understand and understand tax policy concepts. For example, the level of tax compliance in Japan is so high that the main reason behind this is because of efforts made by the National Tax Administration of Japan (NTA).

Kamau (2014) studies that tax compliance is constantly increasing as evidenced by increased revenue collection or sales of goods and services (output), more returns filed by due dates and some reported tax evasion cases or issues. The goal of tax compliance is to reduce the tax gap, which is the difference between the amount of taxpayers willingly and timely paid and what is required to be paid under the Sales and Services Act 2018. Tax compliance also helps taxpayers avoid from enforcement actions where the taxpayer refuses to pay the proper tax or withhold the tax imposed under Section 41 (7) of the Sales and Services Tax Act 2018 leading to penalties and accrued penalties. Wasao (2014) found that tax compliance is timely when taxpayers fill in and report (tax form) the required tax information to the authorities, correct

bankruptcy payable and timely payment (tax payable) of tax without any enforcement action.

From this definition, there are three dimensions of tax compliance filing, reporting, and payment compliance. Filing compliance refers to the taxpayer submitting (Form SST-03) the correct tax amount to the authorities (RMCD). Compliance reporting refers to whether the return is accurate compared to the supporting documentation for sales or purchase leads or related documents, while the payment compliance refers to whether the taxpayer paid the reported tax liability on time (payable time). Therefore, the taxpayer will be called ineligible if the three dimensions are not implemented properly. It has been suggested that the SST audit system needs to be integrated with income tax audits which effectively tax systems improve the level of tax compliance. SST investigations are usually caused by suspicions of criminal tax fraud or tax evasion. Tax fraud is a fraud on a tax declaration in an attempt to avoid paying the full amount of tax liability.

The key assumption is that tax compliance depends on the taxpayer's awareness, knowledge and understanding of applicable tax laws (Oladipupo and Izedonmi, 2013). Tax compliance is achieved when the majority of taxpayers voluntarily file their tax returns and pay taxes on time without legal intervention and enforcement. However, enforcement such as audits will be imposed on taxpayers if voluntary compliance is low. Enforcement needs to be taken because tax compliance affects the revenue collection and ability of the

government to achieve its fiscal and social goals. Measures to increase compliance include providing excellent taxpayer services that result in better long-term outcomes such as higher tax collection and reduction in the tax gap (Wasao, 2014). Therefore, the literature review highlights the importance of collecting taxes to improve the country's economy and the impact of tax compliance factors on awareness, knowledge, and technology and business size.

2.3 The Relationship between Awareness and Tax Compliance

Awareness or Consciousness is the state or ability to see, feel, or perceive events, objects, or senses. In this level of awareness, sense data can be validated by the observer without having to understand it. It is the state or quality that realizes something (Munusamy and Zainol, 2016). In terms of financial reports, research that focuses on internal preparation seems to indicate that financial awareness among the managers of the smallest owners is relatively low and there is insufficient recording. Public awareness of sales and services tax (SST) is low and this is due to the introduction of SST especially in the early years as it is less familiar with the new system. The fear of rising prices will cause inflation to be an important factor among all customers who are discouraged from accepting SST implementation in Malaysia.

In addition or besides for many individuals or taxpayers may want to adhere to this tax system, but they are unable to do so because they lack

understanding and are not aware of their full obligations. There is no bilateral communication between the authorities and taxpayers which also affects their understanding of their obligations (Noormahayu et al. 2015). Oladipupo and Izedonmi (2013) found that in Nigeria, more traders are showing awareness from Professionals and Laymen. In addition, the public shows a lack of awareness compared to other groups. Various suggestions have been made on how to increase the taxpayer's general awareness and understanding of any new tax law. The role of individuals, business organizations, NGOs and the Government in improving public tax education among Nigerians has been considered. Awareness can be enhanced by improving communication in SST to the public. For example, the Royal Malaysian Customs Department (RMCD) needs to launch a broad publicity program for the public to explain the rationale for introducing SSTs in Malaysia and to make them fully aware and not generally.

In addition or besides to disseminating information through social media, tax authorities should organize more discussion programs and collaborate with NGOs on rural housing especially for rural residents such as indigenous people (Noormahayu et al. 2015). According to Nur Suriana et al. (2015) people have very limited knowledge of actual government spending and the cost of public service provided by the state government. This will lead to poor awareness which has led to many misconceptions about the true value of taxes. Many have underestimated the tax burden needed to maintain public

service. This paper shows that tax awareness and the complexity of compliance have an impact on tax compliance. Whereas, tax awareness leads to unreported declines, while complexity in compliance increases the probability of misrepresentation (Mohammed Saleh, Riayati, & Mohd Rizal, 2016).

2.4 The Relationship between Knowledge and Tax Compliance

According to Fany (2015) knowledge is the human faculty that is made up of interpreted information; a growing understanding of the combination of data, information, experiences, and interpretations of individuals. Tax knowledge has a significant correlation to taxpayer tax compliance as long as the integrity of the tax system is in effect. However, it appears that tax compliance is based solely on tax knowledge, audited probabilities, tax rate perceptions, and reference groups. In addition to tax knowledge at the social level is the determining factor for tax compliance. One of the basic ways to raise public awareness is through the knowledge that tax knowledge can be provided through a general understanding of tax regulations by promoting the principles of SST to mandatory and voluntary compliance, by engaging in more activities such as public relations, tax education, consulting taxes, guidance and examinations. Knowledge provides taxpayers with the ability to understand the need for new tax reforms and this in turn promotes compliance (Muhammad Syafiq et al. 2015).

According to Arlinah, Azlina, and Rohana (2016), the implementation of SST is critical in determining how the general public will view tax reform and the impact on the quality of life in terms of the advantages and disadvantages of SST knowledge and acceptance. Therefore, the objective of the present study was to explore the relationship between SST Compliance and the level of knowledge of Malaysians and their feelings about SST implementation and its impact on quality of life. Zainol and Munusamy (2015) state that the government needs to develop a strategic approach to address the implementation of SSTs to help prepare businesses towards accepting and adhering to the new tax system. It is recommended that government agencies should aggressively promote SST to be more positive towards SST. For example, government agencies such as the Royal Customs Department need to provide more taxpayer training programs that help taxpayers such as lack of SST knowledge among registrars, clarity of taxable goods and services, increased documentation load to keep records, the need for system upgrades computing, obtaining refunds from tax authorities, maintaining records for customers, understanding SST laws and improving the accounting system to accommodate SSTs dealing with tax authorities.

The role of tax knowledge determines the taxpayer's attitude toward taxation. Researchers have previously studied how knowledge and understanding of progressive taxation influence the choice of fair tax rate structure. These findings indicate that a better understanding of what is the focus

of progressive taxation is that taxpayers have changed their attitude toward the tax system's tax justice. As such, tax introduction courses have become a compulsory element in accounting and other programs at most institutions in all countries. Therefore, the issue between comparing key accounting and non-accounting perceptions of tax knowledge elements has been investigated, thus enriching existing literature on tax knowledge (Marziana et al., 2013). Another study by Amanuddin et al. (2016) found that to have a better understanding of the SST implemented, the level of knowledge about SST is crucial for taxpayers.

Knowledge is one of the most effective ways to raise public awareness of SST. Moreover, it states that tax knowledge can be conveyed through a general understanding of tax rules. The understanding of SST for Malaysians, although at the basic level, is still neglected to convey despite the fact that the government has encouraged and promoted the use of SST. Knowledge of tax laws or tax regulations is considered an essential element of taxation attitudes. To increase tax compliance, tax knowledge is very important. Indirectly, it is important to have a good knowledge of taxpayers and taxpayers and suggest that tax education is one of the most effective tools to encourage taxpayers to comply more (Marziana et al., 2013).

2.5 The Relationship between Technology and Tax Compliance

Technology is a collection of techniques, skills, methods and processes used in the production of goods or services or in the achievement of objectives, such as scientific investigations. Technology can be knowledge of techniques, processes, and so on, or it can be embedded in machines that can be operated without detailed knowledge of how they work (Wikipedia, 2017). According to the Royal Malaysian Customs Department (RMCD) all organizations are advised to ensure that their software developers comply with the SST and keep proper records for proper tax declaration and that they must generate audit files. Proper accounting systems should be set up to capture and generate appropriate accounting information for tax reporting purposes. Compliance costs for businesses will be reduced if tax reporting errors are avoided. A business is less likely to make mistakes in their tax declarations with the software (Yong, Pang, and Lan, 2016). Atambo, Wallace and Maisiba (2016) stated that to facilitate voluntary compliance by taxpayers and to achieve the goal of increasing revenue collection, the Information Technology (ICT) department should provide support services in terms of electronic systems as a whole. The electronic tax system is made up of modern technologies in the form of computers, internet and software applications and is considered as efficient only when handled by trained and embedded staff in the organization's workflow.

In addition to effectively addressing the taxpayer's demands, administrative staff need to embrace the concept of seeing the taxpayer (customer) as the most important person to the organization. Taxpayers are becoming more comfortable using new technologies and looking for easier interactions with government agencies, a more efficient and effective way to access information (Hodges, 2013).

According to Kamau (2014) in the long run to improve tax compliance, the need starts with strengthening the organization and management, implementing a robust collection system regardless of building capabilities in core tax administration functions (registration, filing and payment enforcement, taxpayer services, debt collection, audit and processing of appeals). Technology may play a very important role in tax management and therefore most parties have invested heavily in hiring or developing their computer audit capabilities. By using Electronic tax filing or e-filing, tax documents or tax returns (Form SST-03) are submitted online and usually without the need to submit any returns.

Basically e-filing systems include the use of Internet, Web and Software technologies around the world for various types of administration and tax compliance. However, this task has never been easy, with the introduction of modern information technology accounting systems (Wasao, Online Tax System Effect on Tax Compliance Among Small Taxpayers in the Eastern Nairobi Tax District, 2014). According to the study of Gwaro, Maina, &

Kwasira (2016), there was a significant relationship between the level of computer literacy (technology) and tax compliance among SMEs in Nakuru, Kenya and the study found that there was no significant relationship between the stability of the tax system (technology)) online and tax compliance among SMEs in Nakuru, Kenya.

2.6 The Relationship between Size of the Business and Tax Compliance

According to the U.S. The Small Business Administration (2017) standard of size, usually expressed in the number of employees or the average annual income, represents the largest size of a business (including its subsidiaries and affiliates) to be classified as a small business.

Research shows that business size especially small businesses, compared to medium or large companies have a high compliance cost because they do not use automated collection and reporting systems. Small businesses also have to pay expensive to acquire or upgrade computers and accounting software. It can be argued that the development of technology is important for small businesses, especially the electronic delivery of SST, although the Government remains an option for small businesses (Rametse, Pope, and Nthati, 2002). According to Weichenrieder (2007) found that small businesses or SMEs face some major challenges in implementing SST and the concern is the cost of tax compliance. It is clear to show that small or medium-sized businesses are

affected by these costs and when reduced by sales or assets, SME compliance costs are higher than large businesses. Another problem in burdening small and medium-sized enterprises is tax evasion.

Particularly in developing countries, the problems of small business taxation are well documented, but on a smaller scale, small business tax evasion problems may also be unbalanced in developed economies. Some small businesses feel they have a slightly higher subjective tax burden and feel less of a government benefit than other taxpayers. Not surprisingly, small business owners also exhibit poor fairness in terms of distribution and fairness of procedure (Kamleitner, Korunka, and Kirchler, 2010). While some analysts believe that the reporting required to comply with GST has a positive effect on managers, it helps them to better understand their financial condition.

According to the Tax Authority, small business owners worry that the time they spend on tax compliance affects their business performance and well-being, which reduces their ability to survive in the long-term business (MYOB Business Monitor, 2015). In addition to research in New Zealand, the results of various surveys to reduce compliance costs and the unfair burden of small businesses have been implemented, focusing on increasing the registration threshold and expanding the tax return cycle. In addition, the New Zealand government took over 14 years ago in an effort to reduce the number of changes in the SST, simplify its structure and regulations and better educate businesses (Breen, Bergin-Seers, Roberts, and Sims).

There is a general belief that there is a relationship between the size of the business and the level of cost of tax compliance. It may be true that small businesses have higher tax compliance costs compared to large businesses. As such, the larger SMEs seem to benefit from the economies of scale. Some studies have concluded that the relationship between company size and compliance / procurement cost ratio is negatively correlated. It can be concluded that the larger the business, the lower the cost of compliance (Eragbhe & Omoye, 2014).

2.7 Theoretical Framework

This research was conducted to determine the Sales and Service Tax Compliance at SME Enterprises in Kota Bharu, Kelantan. In line with the literature review, this study selected four independent variables namely awareness, knowledge, technology and business size. Awareness is the attitude of the taxpayer towards the implementation of SST. Knowledge of SST is very important for taxpayers because they have a better understanding of SST implementation. In addition, technology is important to facilitate voluntary compliance by taxpayers and to achieve the goal of increasing revenue collection. Business size plays an important role as an SST taxpayer for tax compliance. Therefore, this study has developed Theoretical Framework shown as follow:

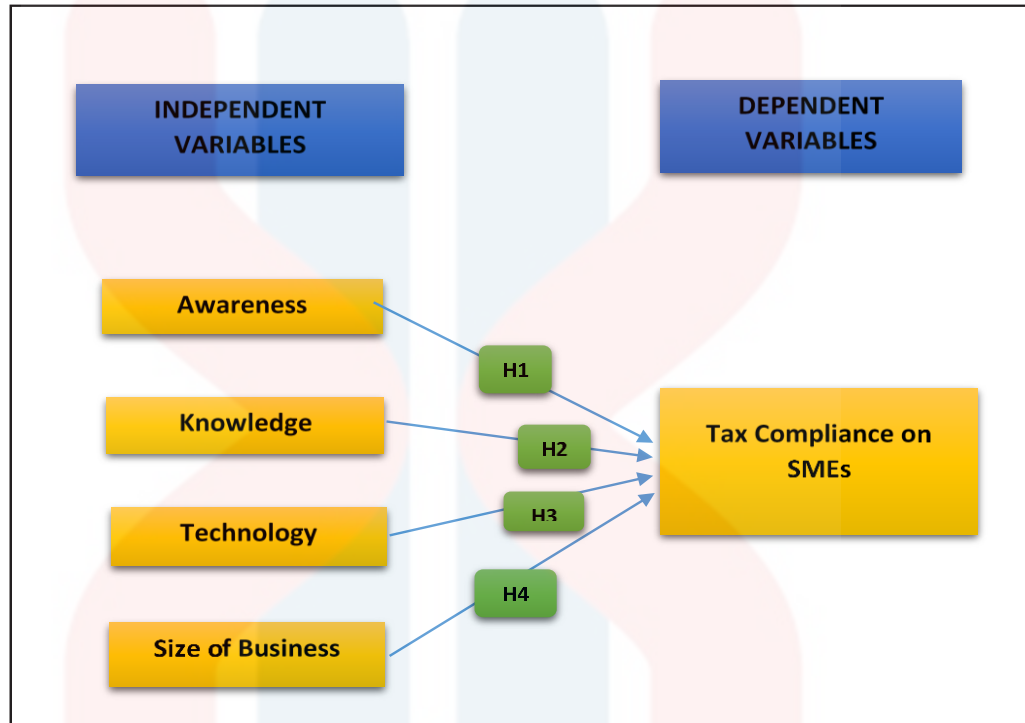


Figure 2.1: Factors Enhancing Sales & Services Tax Compliance

2.8 Research Hypotheses

According to Sekaran (2003), a hypothesis is defined as the predicted logical relationship between two or more variables expressed in a testable form. Therefore, the independent variables have a significant relationship with the variables depending on the literature review.

H1a: *Survivability has a positive significant relationship with the development of resource orchestration.*

H1b: *Cultural orientation has a positive significant relationship with the development of resource orchestration.*

H1c: *Financial resources has a positive significant relationship with the development of resource orchestration*

H1d: *Government support has a positive significant relationship with the development of resource orchestration.*

This research is using the integrated approach utilizing the business tools and theoretical framework in assisting to identify the current situation of Royal Malaysian Customs Department (RMCD) and use the information towards formulating the solution for the problem happened. The research framework was derived in identifying the relationship between independent. At the end, a suggestion for the recommendations can make by using Theoretical Framework that developed from literatures of previous researches.

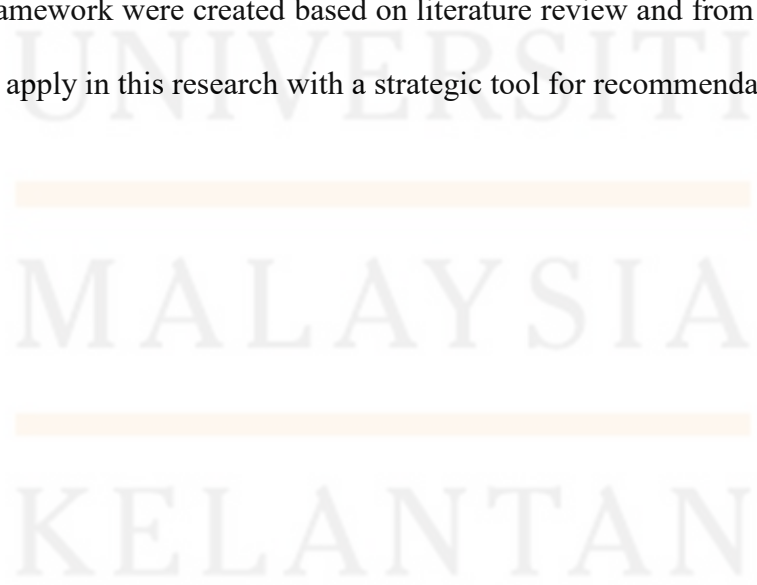
2.9 Summary

2.9.1 Theory of Reasoned Action

The Theory of Reasoned Action (TRA) suggests that a person's behavior is determined by their intention to perform the behavior and that this intention is, in turn, a function of their attitude toward the behavior and

subjective norms (Fishbein & Ajzen, 1975). The best predictor of behavior is intention or instrumentality (belief that the behavior will lead to the intended outcome). Instrumentality is determined by three things: their attitude toward the specific behavior, their subjective norms, and their perceived behavioral control. The more favorable the attitude and the subjective norms and the greater the perceived control, the stronger the person's intention to perform the behavior.

This chapter describes the literature review on tax compliance, awareness, knowledge, technology and business size. Highlight references and research related to research problems. The explanations related to the variables resulting from this study conducted locally or abroad contributed to this study. It is necessary to conduct a comprehensive study among SMEs to identify the relationship between tax compliance, awareness, knowledge, technology and business size. Then, the research framework and the academic construction framework were created based on literature review and from situation analysis to apply in this research with a strategic tool for recommendations.



CHAPTER 3

METHODOLOGY

3.0 Methodology Structure

The design of the research can be classified as a survey and experimentation on theories based on research questions. It starts with a statement of problems and then comes the formation of hypotheses, literature studies and data analysis. Sekaran and Bougie (2011) agree and support that research design has been called an action plan that raises research questions through data collection, measurement, and analysis. Researchers have carried out descriptive research for this research and designed a survey instrument to assess the relationship between awareness, knowledge, technology, size, and tax compliance with SMEs. Sekaran (2013) states that descriptive research may involve the collection of quantitative data such as satisfaction ratings, production figures, sales figures, or demographic data. Descriptive studies are appropriate for use in this research because researchers are interested in identifying the relationship between independent variables (awareness, knowledge, technology, and size) and dependent variables (tax compliance).

3.1 Preamble

This chapter provides a comprehensive overview of applied research and design methods, clarifies sample selection, describes the procedures used in instrument planning and data collection, and also provides statistical procedures used for analyzing data.

3.2 Research Design

The design of the research can be classified as a survey and experimentation on theories based on research questions. It starts with a statement of problems and then comes the formation of hypotheses, literature studies and data analysis. Sekaran and Bougie (2011) agree and support that research design has been called an action plan that raises research questions through data collection, measurement, and analysis. Researchers have carried out descriptive research for this research and designed a survey instrument to assess the relationship between awareness, knowledge, technology, size, and tax compliance with SMEs. Sekaran (2013) states that descriptive research may involve the collection of quantitative data such as satisfaction ratings, production figures, sales figures, or demographic data. Descriptive studies are appropriate for use in this research because researchers are interested in

identifying the relationship between independent variables (awareness, knowledge, technology, and size) and dependent variables (tax compliance).

3.3 Data Collection

The main purpose of this study was to gather information on factors influencing tax compliance to SMEs with awareness, knowledge, technology, and size. The objective of data collection is to learn how to collect and obtain data accurately. In this study, the researchers chose to use primary data and secondary data collection.

3.3.1 Primary Data

In this study, survey questionnaires were distributed to the respondents to obtain primary data. By disseminating survey questionnaires, researchers can collect data more practically. In addition, questionnaires improve the accuracy of data collected compared to observations. There were 150 sets of questionnaires distributed to the respondents in this study. Sekaran (2013) mentioned that gathering for research from the actual site of the event is called primary data. This data consists of inquiries given to respondents of SME companies to obtain clear information from them. There are three sections in the questionnaire, Part A on Demographics (Company Profile), Part B on Tax

Compliance and section C on Business Awareness, Knowledge, Technology and Size.

3.3.2 Secondary Data

This study has collected data from the internet, past journals, e-books and textbooks. Additionally, Google Scholars, and Google search engines to find the information you need. The advantages of using this type of data are accurate and ready to use. It is made up of both external and internal data sources. External sources can be classified as journals, articles, books, while internal sources are brochures of organizational websites and so on.

3.4 Sampling Design

3.4.1 Population

Population is the whole group of people, events, or things that researchers want to explore (Sekaran and Bougie, 2013). Zainudin (2009) states that the population is an aggregate of all elements, sharing several sets of common characteristics, comprising the universe for research purposes. The population of this study consists of registrants of SMEs under the Royal Malaysian Customs Department (RMCD) of 150 companies.

3.4.2 Sampling Size

A sample of 108 respondents was selected as the sample of this study. According to (Sekaran and Bougie, 2013), the sample size can be 30 respondents to 500 respondents.

3.4.3 Sampling Technique

Sampling is very useful in determining and representing a large population. The sampling technique used for this research is sampling unpredictability, which is sampling convenience. Experimental convenience testing for easy sample samples. According to (Ethics, Sulaiman, and Rukayya Sunusi, 2016), sampling facilities (also known as Haphazard Sampling or Accidental Sampling) are a kind of baseless or random sampling where members of the target population that meet certain practical criteria of easy access, geographical distance, availability at a particular time, or willingness to participate are included for the purpose of the study. Convenience is the most expensive and least consuming of all sampling techniques. The sampling unit is accessible, scalable and cooperative. Researchers have focused on the area of Kota Bharu for this study.

3.5 Instrument

3.5.1 Scale

The assumptions of the study were measured using a Likert Scale point that identified respondents to determine how strongly SMEs agreed or disagreed with the questionnaire given by their response rate ranging from 1 (Strongly Disagree / Strongly Disagree) to 5 (Strongly Agree / Strongly Agree). Based on (Now and Bougie, 2010), the interval scale, also known as the Likert Scale, is a scale that affects differences, order, and the magnitude of differences in responses. This type of scale is the best way to interpret quantitative data; this scale can be responsive to statistical analysis. The Likert Scale is a very easy measurement tool to get accurate measurements of specific issues and situations.

Table 3.1: Summary of Measurement and Scales

Construct	Items	Sources
Tax Compliance (Dependent Variable)	1. SST encourage voluntary compliance	(Abdullah, Hasim, Romle, Che Azemi, Mansor, and Majid, 2015)
	2. All the business transactions on SST will be recorded	
	3. Comply with SST compliance helps keep track of the performance of the business	
	4. Paying SST that's been collected to the RMCD is the right thing to do	
	5. SST can increase revenue through higher tax compliance	
	6. We comply with the process and responsibility registration, delivering, reporting, and	

Construct	Items	Sources
Awareness (Independent Variable)	payment of SST as a small and medium enterprise company	(Bidin and Marimuthu, 2015)
	7. In my opinion, SST classification is clear and increase the SST compliance rate	
	8. Our company always report the income in SST form with correctly	
	1. Are you aware of SST	
	2. SST implementation being proposed by government	
	3. SST is a single stage tax	
	4. There are manufacturing or services exempted from SST	
	5. SST can't claimed by business registered	
Knowledge (Independent Variable)	1. SST was implemented on 01st September 2018	(Shiva Raman, 2010)
	2. SST replace the goods and service tax?	
	3. SST is charge at 10% and 6%	
	4. SST is effective tax because it is collected single stage from manufacture to customer and sales services to customer	
	5. SST implementation will have a positive impact on the industrial sector and the national economy as a whole	
	6. The information about SST from print and electronic media has increased the knowledge to the company and me	
	7. The explanation and seminar made by the government has improved my knowledge about SST	
	8. I can give good explanation about SST	
Technology (Independent Variable)	1. The use of information technology will ensure administration's transparency of company in SST	(Kamau, 2014)
	2. The online tax system will enhance SST compliance sustainably	
	3. SST enhance the economy's efficiency in taxation system	

Construct	Items	Sources
	<ol style="list-style-type: none"> 4. RMCD has introduced online filing of SST statements thus assisting the SST administration work? 5. The improvements in technology will enhance the sustainability of online tax system in future 6. This company agrees that the existing accounting system need to be evaluated once SST is implemented 7. SMS and info blast services need to be introduced by RMCD to increase the company's compliance with SST 8. No need to review corporate accounting system once SST is implement 	
Size (Independent Variable)	<ol style="list-style-type: none"> 1. The company's business operation would have some changes when SST is implemented 2. There might be some sort of potential impact on company business if SST implemented 3. SST will affect the cash flows of the company's business 4. The company would incur initial capital outlays (new equipment) for SST 5. Company's compliance cost would increase with SST implementation 6. Does your company need to determine re price of goods and services since SST is imposed on the acquisition of goods and services (input) again 7. The company agrees that SST will affect to the company's staff training 8. Does the company disagree that the SST will affect the training of company employees 	(Bidin and Marimuthu,2015)

3.6 Data Analysis

Before researchers start analyzing data to test hypotheses, there are a few basic steps to take. Initial data is data obtained from questionnaires that are coded, edited, and included. It sorted by category. Next, the data needs to be

processed through a statistical technique known as the Social Science Program (SPSS) software application. The data needs to undergo and analyze processes using Descriptive Analysis, Reliability, Correlation, and Regression Analysis. Data is presented in the research using graphs and tables so that the data analyzed can be clearly understood and understood by the reader.

3.6.1 Descriptive Analysis

According to Saunders, et al. (2009), the use of descriptive analysis to explain each variable in the research. It is also known as descriptive statistics and includes data in a chart or table structure to link explaining and visualizing the data collected. According to Sekaran and Bougie (2010), descriptive analysis is commonly used in calculating the mean, frequency of distribution, and percentage of demographic data provided by respondents. The data will be displayed in a visual that is a histogram. Under this descriptive statistic, data is a measure of the size of a tendency. The main tendency can be illustrated most frequently by stating the number of frequent scores of demographic respondents' profiles such as age, salary, education level, work experience, and gender. The results reflect percentage values and frequency.

3.6.2 Reliability Analysis

Reliability is a measure of the internal consistency of a set of scale items. It shows whether each scale measures a single idea. The more reliable a set of scale items, the more confident the score is from the administration of the scale being tested (Sekaran and Bougie, 2013). Reliability tests are used to test the questions in question based on reliable or relevant questions based on variables. For this study, there were four independent variables and one dependent variable. Cronbach's alpha was calculated in terms of the average of the correlations between items measuring the concept. Cronbach's alpha is a reliability coefficient that shows how items in a set are positively correlated with each other. According to Hair et al. (2003) Cronbach's alpha is higher than 0.7, and it is considered good and acceptable. The closer the Cronbach's alpha to 1, the higher the reliability of internal consistency. Consistency shows how things that measure concepts hang together as a set.

Table 3.2: Rules of thumb about Cronbach's Alpha Coefficient Size

Alpha Coefficient Range	Strength Associations
< 0.6	Poor
0.7 to < 0.8	Good
0.8 to < 0.9	Very good
0.9	Excellent

**Source: Hair et al (2003), *Essential of Business Research Method*

3.6.3 Correlation Analysis

In this study, the researchers used the Pearson Correlation Coefficient to study the relationship between dependent and independent variables. Correlations are used to determine whether a relationship is weak or strong with a negative or positive association. Researchers are trying to test these four hypotheses to identify and analyze the relationship between independent variables (awareness, knowledge, technology, and size) and dependent variables (tax compliance). Based on the calculated score, the analysis can be interpreted as high, simple and low correlation. The calculated score can change from +1.00 to -1.00. For this study, researchers have decided to use the proposed interpretation of the "r" value in determining coefficient strength as suggested by David (1997). The table below is the Interpretation of Correlation Coefficients for "r" values.

Table 3.3: Correlation Coefficient Interpretation

Alpha Coefficient Range	Strength Associations
Less than 0.20	Slight, almost negligible relationship
0.20 – 0.40	Low correlation, definite but small relationship
0.40 – 0.70	Moderate correlation, substantial relationship
0.70 – 0.90	High correlation, marked relationship
0.90 – 1.00	Very high correlation, very dependable relationship

3.6.4 Regression Analysis

Regression analysis is a technique for measuring linear equations between dependent and independent variables. It also becomes like after measuring the correlation coefficient. For this analysis, the researchers used Multivariate Regression Analysis to test and analyze the data to see the relationship between dependent variables (tax compliance) and independent variables (awareness, knowledge, and size). Multiple regression analysis is simply the addition or refinement of a simple linear regression analysis. It enables simultaneous investigation of the effect of two or more independent variables on a single interval measuring dependent variables (Zikmund, 2003). It is used to infer whether there is a real relationship between the four independent variables and the dependent variable. According to Sekaran (2010) Multiple Regression Analysis was used to test the effects of more than one independent variable with dependent variables.

In terms of interpreting Multiple Regression Analysis, it focuses on three outputs namely Model Summary, ANOVA, and Coefficients. For Model Summary, it is evaluated by R squared values where after the variables have been included, the overall model will explain the percentage variance while the other variables are generated as variables not included in the research. The output of the ANOVA regression on the other hand explains whether the results statistically explain the model. The Sig. values that produce less than or equal

to 0.05, will show significant differences between the mean scores and the regression output coefficients, helping to determine which of the independent variables is most important. In this model, the selected variables that have the highest impact on the dependent variable are those with the highest standardized β coefficients (Pallant, 2013).

3.6.5 Pilot Test Analysis

Pioneer studies can be defined as design tests of research studies. All data collected from respondents' answers should be tested (Best & Kahn, 2016). The pilot study was conducted using a small number of respondents to test the questionnaire developed by the researcher. All respondents to be tested must select the same as the actual respondents. Researchers are testing the questionnaire at a Simple Small Business Company in Kota Bharu. 30 respondents were selected for the pilot test. Therefore, researchers will make improvements to the questionnaire based on respondents' answers to ensure that this survey is easier, clearer and better understood in the subject matter of the study.

According to Bhatnagar et al., (2014), the Cronbach Alpha coefficient of close to 1 indicates higher reliability of the questionnaire. On the other hand, if a deficiency of less than 0.6 is considered bad. On the other hand, reliability indicates that less than 0.5 questionnaires are designed to be considered

unacceptable. Researchers distributed 30 surveys to respondents to test the validity and reliability of the questionnaire for this study.

Table 3.4: Reliability Test

Variables (N=30)	Dimensions/Items	No. of Items	Cronbach Alpha (α)
Independent Variables	Size Of The Business	8	0.777
	Awareness	8	0.783
	Knowledge	8	0.730
	Technology	8	0.862
Dependent Variable	Tax Compliance	8	0.892
Overall Coefficient Alpha		40	0.911

Note: The alpha values of all the variables above 0.70 (closer to 1)

Refer on the table 3.4 reliability test, it shown the Cronbach's Alpha for the pilot test for all variables is 0.911. Hence, the result shown is in excellent according (Bhatnagar et al., 2014) that in range $\alpha > 0.9$

3.7 Summary

This chapter describes how the study was conducted and the types of data collection methods used for this study. It also highlights the types and steps used to derive the results of the sampling design, research instrument, data processing and data analysis process for this study. The data collected will be discussed further in the next chapter.

3.8 Conclusion

The main purpose of this research is to identify the key issues in increasing sales and service tax (SST) compliance with SMEs. There are four independent variables that are recognized based on previous literature and academic construction. These variables are awareness, knowledge, technology, and size. However, based on the findings, the researchers found that one of the independent variables was not significant. Therefore, the researchers conclude that the factors that increase the Sales and Service Tax (SST) compliance with SMEs are awareness, technology, and size. In this study, the researchers also found the most influential factors that could increase Sales and Service Tax (SST) on SMEs are awareness. Researchers also provided SME recommendations and implications to the Royal Malaysian Customs Department (RMCD) to increase compliance with sales and service tax (SST) on SMEs.



CHAPTER 4

FINDINGS AND DATA ANALYSIS

4.0 Methodology Structure

Out of these 108 the questionnaire was recovered and found to be valid for use. By using the research methodology instrument as table 4.1, research was conducted. Where is Tax Compliance as a Dependent Variables and Business Awareness, Knowledge, Technology and Size as Independent Variables which is hypothesis to the Tax Compliance.

Table 4.1: Research Methodology

Research instrument	Questionnaire
Target Population	150 Small Medium Enterprise Company (SMEs)
Sample Size	108 respondent (base on Krejcie & Morgan Table)
Statistical analyses	Statistical Package For Social Science (SPSS) Pearson Correlation Regression Analyses
Questionnaire design	Part A – Company Profile (5 Questions) Part B – Tax Compliance (8 Questions) Part C – Awareness (8 Questions) Part D – Knowledge (8 Questions) Part E – Technology (8 Questions) Part F – Size of Business (8 Questions)

4.1 Preamble

This chapter discusses the findings and analyzes of data from frequency analysis, descriptive analysis, reliability analysis, Pearson correlation analysis and regression analysis using the Statistical Package for Social Sciences (SPSS) version 26.0. A total of 108 questionnaires were distributed easily among SME respondents around Kota Bharu, Kelantan.

4.2 Data Analysis

4.2.1 Descriptive Analysis

Descriptive analysis was used to describe the means, standard deviations, for 108 respondents.

Table 4.2: Descriptive Statistics

	Mean	Std. Deviation	N
Tax Compliance	4.1157	.32502	108
Awareness	4.1389	.42599	108
Knowledge	4.6389	.44213	108
Technology	4.7176	.49371	108
Size of the business	4.3287	.49371	108

From the table above for descriptive statistics found Tax Compliance for mean is 4.11, standard deviation 0.325 and N is for 108 respondents. Awareness for mean 4.13 and standard deviation is 0.425, knowledge for mean 4.63 and standard deviation 0.442, technology for mean 4.71 and standard deviation 0.422 and Size of the business mean is 4.32 and standard Deviation 0.49. Technology for mean 4.71 and standard deviation 0.422 and size of the business mean is 4.32 and standard deviation 0.49.

4.3 Pearson Correlation Discussion

Table 4.3: Statistic Data Analysis for Company Profile Statistics

		What is your business ownership?	Your main core business and activities?	Duration of business	Your business possession?	Total of employee?
N	Valid	108	108	108	108	108
	Missing	0	0	0	0	0
Mean		2.3611	2.5370	2.2963	1.1944	2.0926
Std. Error of Mean		.11653	.22612	.09779	.05337	.09444
Median		2.0000	2.0000	3.0000	1.0000	2.0000
Mode		1.00	1.00	3.00	1.00	1.00
Std. Deviation		1.21100	2.34989	1.01631	.55465	.98148
Variance		1.467	5.522	1.033	.308	.963
Skewness		.171	2.123	-.082	3.404	.416
Std. Error of Skewness		.233	.233	.233	.233	.233
Kurtosis		-1.540	3.986	-1.088	12.574	-.664
Std. Error of Kurtosis		.461	.461	.461	.461	.461
Minimum		1.00	1.00	1.00	1.00	1.00
Maximum		4.00	11.00	5.00	4.00	5.00

		What is your business ownership?	Your main core business and activities?	Duration of business	Your business possession?	Total of employee?
Percentiles	25	1.0000	1.0000	1.0000	1.0000	1.0000
	50	2.0000	2.0000	3.0000	1.0000	2.0000
	75	4.0000	3.0000	3.0000	1.0000	3.0000

From the above table 4.3 show that the question was distribute to 108 respondents from SMEs and there is no missing for 108 of the question, and the data was analyze for Company Profile. For the question no.1, mean is 2.3611 while the standard deviation is 1.21100. Variance is 1.467. Skewness is .171 and for the Kurtosis is -1.540 and the percentiles at level 75% are 4.0%. Meanwhile for the question no.2, mean is 2.5370 and standard deviation is 2.34989. Variance is 5.522, Skewness is at 2.123 while the Kurtosis is 3.986. The percentiles at level 75% are 3.0%. For the question no.3, mean is 2.2963 and the standard deviation is 1.01631. Variance 1.033, Skewness -.082 and Kurtosis -1.088. The percentiles at level 75% are 3.0%. Next for the question no.4, mean 1.1944, the standard deviation .55465. Variance .308, Skewness 3.404 while Kurtosis 12.574. The percentiles at level 75% are 1.0%. Majorities' respondents who fulfill the questionnaire are Bumiputera for SMEs in Kota Bharu. Last for question no.5, mean 2.0926 while the standard deviation are .98148. Variance .963, Skewness .416 and Kurtosis -.664. The percentiles at level 75% are 3.0%.

The Dependent value for this project is Tax Compliance for SMEs. While Independent value are Awareness, Knowledge, Technology and Size of Business. The evaluation for the Correlation as below:

Table 4.4: Correlations

		Tax Compliance	Awareness	Knowledge	Technology	Size of the Business
Tax Compliance	Pearson Correlation	1	.018	-.275**	-.151	.037
	Sig. (2-tailed)		.855	.004	.119	.701
	N	108	108	108	108	108
Awareness	Pearson Correlation	.018	1	-.054	.064	.336**
	Sig. (2-tailed)	.855		.581	.510	.000
	N	108	108	108	108	108
Knowledge	Pearson Correlation	-.275**	-.054	1	.249**	.228*
	Sig. (2-tailed)	.004	.581		.009	.018
	N	108	108	108	108	108
Technology	Pearson Correlation	-.151	.064	.249**	1	.393**
	Sig. (2-tailed)	.119	.510	.009		.000
	N	108	108	108	108	108
Size of the Business	Pearson Correlation	.037	.336**	.228*	.393**	1
	Sig. (2-tailed)	.701	.000	.018	.000	
	N	108	108	108	108	108

Note: **. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

From the table above the Size of The Business for Pearson Correlation is 0.037 for Tax Compliance, Sig. (2-tailed) is 0.701 in conclusion there is no significant relationship between size of the business and Tax Compliance.

As below are the summary for correlation for the dependent and independent value

Table 4.5: Correlations Awareness

		Mean Awareness	Mean Tax Compliance
Mean Awareness	Pearson Correlation	1	.336**
	Sig. (2-tailed)		.000
	N	108	108
Mean Tax Compliance	Pearson Correlation	.336**	1
	Sig. (2-tailed)	.000	
	N	108	108

Note: **. Correlation is significant at the 0.01 level (2-tailed)

Mean Awareness for Pearson correlation at .336** with the significant (2-tailed) at .000 and mean Tax Compliance for Pearson correlation at .336** with the significant (2-tailed) at .000. So from the 1st hypothesis there is a significant relationship between Awareness and Tax Compliance.

Table 4.6: Correlations Knowledge

		Mean Knowledge	Mean Tax Compliance
Mean Knowledge	Pearson Correlation	1	.228**
	Sig. (2-tailed)		.018
	N	108	108
Mean Tax Compliance	Pearson Correlation	.228*	1
	Sig. (2-tailed)	.018	
	N	108	108

Note: **. Correlation is significant at the 0.01 level (2-tailed)

Mean Knowledge for Pearson correlation at .228* with the significant (2-tailed) at .018 and mean Tax Compliance for Pearson correlation at .228* with the significant (2-tailed) at .018. So from the 2nd hypothesis there is a significant relationship between Knowledge and Tax Compliance.

Table 4.7: Correlations Technology

		Mean Technology	Mean Tax Compliance
Mean Technology	Pearson Correlation	1	.393**
	Sig. (2-tailed)		.000
	N	108	108
Mean Tax Compliance	Pearson Correlation	.393**	1
	Sig. (2-tailed)	.000	
	N	108	108

Note: **. Correlation is significant at the 0.01 level (2-tailed)

Mean Technology for Pearson correlation at .393** with the significant (2-tailed) at .000 and mean Tax Compliance for Pearson correlation at .393** with the significant (2-tailed) at .000. So from the 3rd hypothesis there is a significant relationship between Technology and Tax Compliance.

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Table 4.8: Correlations Size of the Business

		Mean Size of the Business	Mean Tax Compliance
Mean Size of the Business	Pearson Correlation	1	.037
	Sig. (2-tailed)		.701
	N	108	108
Mean Tax Compliance	Pearson Correlation	.037	1
	Sig. (2-tailed)	.701	
	N	108	108

Note: **. Correlation is significant at the 0.01 level (2-tailed)

Mean Size of the Business for Pearson correlation at .037 with the significant (2-tailed) at .701 and mean Tax Compliance for Pearson correlation at .037 with the significant (2-tailed) at .701. So from the 4th hypothesis there is no significant relationship between Size of the Business and Tax Compliance.

4.4 Regression Discussion

Descriptive analysis is used to describe the means, standard deviations, for 108 respondents.

Table 4.9: Descriptive Statistics

	Mean	Std. Deviation	N
Tax Compliance	4.1157	.32502	108
Awareness	4.1389	.42599	108
Knowledge	4.6389	.44213	108
Technology	4.7176	.42290	108
Size of the Business	4.3287	.49371	108

Table 4.10: Significant of Independent Variables

	Beta	t-value	Sig. value	Result
Awareness	.146	1.420	0.11	Significant
Knowledge	.281	2.867	.005	Significant
Technology	.175	1.420	.159	No Significant
Size of the Business	.047	.466	.642	No Significant

From the table Regression we find that Awareness for Coefficients beta is 0.146, t=1.420 Sig. is 0.011 and for Knowledge for Coefficients beta is 0.281, t=2.867 Sig is 0.005 both are significant for tax compliance. Meanwhile for Technology Coefficients beta is 0.175, t=1.420 Sig is 0.159 and for Size of Business for Coefficients beta is 0.047, t=0.466 Sig is 0.642 both are no significant for tax compliance.

Table 4.11: Correlations

		Tax Compliance	Awareness	Knowledge	Technology	Size of the Business
Pearson Correlation	Tax Compliance	1.000	.018	-.275**	-.151	.037
	Awareness	.018	1.000	-.054	.064	.336
	Knowledge	-.275	-.054	1.000	.249	.228
	Technology	-.151	.064	.249	1.000	.393
	Size of the Business	.037	.336	.228	.393	1.000
Sig. (1-tailed)	Tax Compliance		.427	.002	.059	.351
	Awareness	.427		.290	.255	.000
	Knowledge	.002	.290		.005	.009
	Technology	.059	.225	.005		.000
	Size of the Business	.331	.000	.009	.000	

		Tax Compliance	Awareness	Knowledge	Technology	Size of the Business
N	Tax Compliance	108	108	108	108	108
	Awareness	108	108	108	108	108
	Knowledge	108	108	108	108	108
	Technology	108	108	108	108	108
	Size of the Business	108	108	108	108	108

The above table for Pearson Correlation Skills for Technology in relation to Tax Compliance is -.151 and Size of The Business is 0.037. And for a Significant (1-tailed) Tax Compliance relationship with Technology is 0.059 and Size of the Business is 0.351.

Table 4.12: Model of Summary Beta

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	
					R Square Change	F Change
1	.324 ^a	.105	.071	.31335	.105	3.030

Model	Change Statistics		
	df1	Df2	Sig. F Change
1	4	103	.021

a. Predictors: (Constant), Size of the Business, Knowledge, Awareness, Technology
 b. Dependent Variable: Tax Compliance

Refer to the Model Summary table; R = .324 while R Square = .105, Adjust R Square = .071 standard Error of The Estimate is .31335 R Square Change is .105 and F Change = 3.030.

For Summary Model for Change Statistics found Model $d11 = 4$ $df2 = 103$ and Sig. F Change is .021.

Table 4.13: Anova Alfa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.190	4	.298	3.030	.021 ^b
	Residual	10.113	103	.098		
Total		11.303	107			

a. Dependent Variable: Tax Compliance

b. Predictors: (Constant), Size of the Business, Knowledge, Awareness, Technology

Refer to table: ANOVA for Regression Sum of Squares is 1.190, df is 4, Mean Square is 0.298, F is 3.03 and Significant is 0.021; For Residual Sum of Squares is 10.11, df is 103, Mean Square is 0.098 while for F and Significant is absent and sum for Sum of Squares is 11,303 and sum for df is 107.

Table 4.14: Coefficients Alfa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.256	.508		10.342	.000
	Size of the Business	-.036	.076	-.047	-.466	.642
	Knowledge	-.207	.072	-.281	-2.867	.005
	Awareness	-.113	.079	-.146	-1.420	.159
	Technology	.115	.072	.175	1.594	.114

Referring to the table above for Standardized Coefficients Beta find that for Size of the Business is -.047, Knowledge is -.281, Awareness is -.146 and Technology is 0.175.

Table 4.15: Coefficients^a

Model	Unstandardized Coefficients		Correlations		
	Lower Bound	Upper Bound	Zero-order	Partial	Part
1 (Constant)	4.248	6.263			
Size of the Business	-.187	.116	0.18	-0.46	-.043
Knowledge	-.350	-.064	-.275	-.272	-.267
Awareness	-.270	.045	-.151	-.139	-.132
Technology	-.028	.258	.037	.135	.149

a. Dependent Variable: Tax Compliance

Refer to the Coefficients table for Correlations readings are as follows; for Size of the Business is -.046, Knowledge is -.272, Awareness is -.139 and finally Technology is 0.155.

Table 4.16: Casewise Diagnostics Alpha

Case Number	Std. Residual	Variable1	Predicted Value	Residual
48	3.210	5.00	3.9942	1.00576
71	-3.573	3.00	4.1195	-1.11951
94	-3.366	3.00	4.0546	-1.05460

a. Dependent Variable: Tax Compliance

Refer to the Casewise Diagnostics Table available for Case Number 48 showing Residual Standard is 3.210, Variable 1 is 5.00, Predicted Value is 3.99

and Residual is 1.00; Case Number 71 showing Residual Standard is -3.57, Variable 1 is 3, 00, Predicted Value is 4.11 and Residual is -1.11; Case Number 94 indicates that the Residual Standard is -3.36, Variable 1 is 3.00, Predicted Value is 4.05 and Residual is -1.05.

Table 4.17: Residuals Statistics Alpha

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3.9408	4.5141	4.1157	.10546	108
Residual	-1.11951	1.00576	.00000	0.30743	108
Std. Predicted Value	-1.658	3.777	.000	1.000	108
Std. Residual	-3.573	3.210	.000	.981	108

a. Dependent Variable: Tax Compliance

The Residuals Statistics Table shows the Predicted Value for Minimum is 3.94, Maximum is 4.51, Mean is 4.11 and Standard Deviation is 0.10; Residuals show Minimum is -1.11, Maximum is 1.00, Mean is 0.00 and Standard Deviation is 0.30; Standard Predicted Value shows Minimum is -1.658, Maximum is 3.77, Mean is 0.00 and Standard Deviation is 1.00 and lastly for Minimum Residual Standard is -3.57, Maximum is 3.21, Mean is 0.00 and Standard Deviation is 0.981.

4.5 Frequency Analysis

Frequency analysis was used to calculate the number of respondents associated with different values of one variable and expressed this number in

percentage (%). This analysis is provided and appropriate to analyze the questions in Section A related to the company profile.

Frequency tables show the distribution of variables that include frequency, percentage, cumulative frequency and cumulative percentage for variables. It is also a tool for data editing as it can used to detect errors made during encoding and key data.

4.6 Descriptive Analysis

Descriptive analysis was used to describe Maximum, Minimum, Means, Standard Deviation, Skewness, and Kurtosis for 108 respondents.

Table 4.18: Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Compliance	200	7.25	10.00	8.6231	.50367	-.311	.172	1.311	.342
Awareness	200	7.57	10.00	8.6157	.56446	.032	.172	-.933	.342
Knowledge	200	7.50	10.00	8.5675	.49730	.031	.172	-.223	.342
Technology	200	7.83	10.00	8.7967	.46579	.024	.172	-.185	.342
Size	200	8.00	10.00	8.8550	.05258	.283	.172	-.805	.342
Valid N (listwise)									

Table 4.6.1 summarizes the information of each variable. The Compliance variable had a mean of 8.6231 and the standard deviation was 0.50367. The minimum Compliance score is 7.25 while the maximum score is

10. Meanwhile the Skewness of Compliance is -0.311 which means it is skewed. For the Kurtois, it was 1,311 which showed a relatively well-distributed distribution in the middle with long tails (Pallant, 2013).

In terms of Awareness variables, it has a mean of 8.6157 and standard deviation is 0.56446. The minimum score is 7.57 while the maximum score is 10. For Skewness, 0.032 means it is skewed correctly. For Kurtois, it is - 0.933 which means that Consciousness has a higher distribution. For the Knowledge Variables, it has a mean of 8.5675 and the standard deviation is 0.49730. The minimum score is 7.50 while the maximum score is 10. For Skewness, 0.031 means it is skewed correctly. For Kurtois, it is -0.223 which means that Knowledge also has a higher-distribution.

Meanwhile, the technology variable had a mean of 8.7967 with a standard deviation of 0.46579. The minimum score is 7.83 while the maximum score is 10. For Skewness, it is 0.240 which also means correct tilt. For Kurtois, it is -0.185 which also has a flat distribution. Finally, the average variable size was 8.8550 and the standard deviation was 0.50258. The minimum score is 8 while the same maximum score is 10. For Skewness, it is 0.283 which is also tilted correctly and for Kurtois it is -0.805 which also has a flat distribution. Based on the results above, it can be concluded that all values in the data are considered normal. Data are normal because values from Skewness range from -1 to +1 according to (Hildebrand, 1986).

4.7 Reliability Analysis

According to Sekaran and Bougie's (2013) reliability analysis it is used to assess the stability and consistency of the scale-forming items. To test the concept of reliability, the Cronbach's alpha indicator was used to demonstrate consistency in this study (see Table 3.2, Chapter 3). Researchers have used version 26 of SPSS to analyze the reliability of the variables across all variables.

Table 4.19: Reliability Analysis

Variable	N of Items	Cronbach's Alpha Range	Strength Associations
Compliance	8	.732	Good
Awareness	8	.812	Very Good
Knowledge	8	.742	Good
Technology	8	.777	Good
Size	8	.792	Good

Based on Table 4.19 above, it shows the reliability of Alpha Cronbach for all variables. The highest alpha of Cronbach was a Consciousness variable of 0.812 that produced excellent performance in the Association of Strengths. The second highest was the Size variable with 0.792 followed by the Technology variable with 0.777, then the Knowledge variable with 0.742, and the last the Compliance variable which was the dependent variable with 0.732 respectively. These four variables are all good in the Association of Strengths.

It can be concluded that all the variables are well correlated and show good reliability and consistency.

4.8 Correlation Analysis

Under this analysis, the researchers carried out the Pearson Correlation coefficient and used the proposed interpretation of the "r" value in determining the coefficient strength as described in the previous chapter (see Table 3.3, Chapter 3). Below is the correlation output.

Table 4.20: Correlations Coefficient

Correlations	Compliance	Awareness	Knowledge	Technology	Size
Pearson Correlation	1	.684**	.464**	.458**	.152*
Compliance					
Sig. (2-tailed)		.000	.000	.000	.000
N	200	200	200	200	200
Pearson Correlation	.684**	1	.541**	.473**	.276**
Awareness					
Sig. (2-tailed)	.000		.000	.000	.000
N	200	200	200	200	200
Pearson Correlation	.464**	.541**	1	.527*	.300*
Knowledge					
Sig. (2-tailed)	.000	.000		.000	.000
N	200	200	200	200	200
Pearson Correlation	.458**	.473**	.527**	1	.542**
Technology					
Sig. (2-tailed)	.000	.000	.000		.000
N	200	200	200	200	200

Pearson Correlation	.152*	.276**	.300**	.542**	1
Size					
Sig. (2-tailed)	.000	.000	.000	.000	
N	200	200	200	200	200

Note: **. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

As referenced in Table 4.20, it suggests the interpretation of “r” values, all independent variables being positively related to the dependent variables. Among these four positive correlation coefficients, awareness has a strong positive correlation with sales and service tax (SST) increases for SMEs with $r = 0.684$. The results show that consciousness has a moderate correlation and a substantial relationship with compliance.

The following positive correlations between knowledge with compliance with a coefficient of 0.464 and between technologies with compliance with a coefficient of 0.458 also showed a moderate correlation and substantial relationship. Meanwhile, the size variable had a weak positive correlation with a compliance of only 0.152. Therefore, this analysis shows that there is a link between awareness, knowledge, technology, and size with tax compliance.

4.9 Regression Analysis

For this analysis, researchers used Multiple Regression Models to test and analyze data to see the relationship between dependent variables (tax compliance) and independent variables (awareness, knowledge, technology, and size).

Table 4.21: Multiple Regressions - Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.715 ^a	.511	.501	.35564

a. Predictors: (Constant), Size of the Business, Knowledge, Awareness, Technology

b. Dependent Variable: Tax Compliance

Based on Table 4.21 above shows a summary model for R Square where the value is 0.511 which means that 51.1% of the variance in the dependent variable (tax compliance) can be explained by independent variables (awareness, knowledge, technology, and size). The other 48.9% of the variances in the dependent variables were explained by other factors not covered in this study.

Table 4.22: Multiple Regressions - ANOVA

Model	Sum of Square	df	Mean Square	F	Sig.
1	Regression	25.821	4	6.455	51.038 .000 ^b
	Residual	24.663	195	.126	
	Total	50.484	199		

b. Dependent Variable: Tax Compliance

a. Predictors: (Constant), Size of the Business, Knowledge, Awareness, Technology

Table 4.22 above shows that the statistical significance of the ANOVA results is based on p-values read at a cutoff point of 0.05 where the value is less than $p = 0.005$. Thus, the data yielded $p = 0.000$ indicating that the model has statistically significant results.

Table 4.23: Multiple Regressions – Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	2.712	.576		4.711	.000	1.577	3.847		
Awareness	.515	.055	.577	9.348	.000	.406	.623	.658	1.520
Knowledge	.080	.065	.079	1.234	.219	-.048	.208	.612	1.633
Technology	.244	.074	.226	3.293	.001	.098	.391	.532	1.879
Size	-.153	.060	-.153	-	.011	-.271	-.036	.706	1.417
				2.568					

Based on Table 4.23, it shows a combination of independent variables for predicting variance in increasing Sales and Service Tax (SST) compliance

on SMEs. There are two types of outputs from outcomes that are coefficient and test important.

From the significant test, the significant value of the 95% Confidence Interval at $p = 0.05$ which is less than $p = 0.05$ is awareness with $p = 0.000$, technology with $p = 0.001$, and size with $p = 0.011$. Thus, these three independent variables are significant contributions towards defining tax compliance variance. Meanwhile, a significant value of $p > 0.05$ was a knowledge variable with $p = 0.219$. This indicates that this variable does not make any significant contribution to predicting the dependent variable variance.

H1 – There is a significant relationship between awareness and tax compliance.

H2 – There is a significant relationship between knowledge and tax compliance.

H3 – There is a significant relationship between technology and tax compliance.

H4 – There is no significant relationship between size and tax compliance

According to the Beta Coefficient Standard, the highest Beta is awareness of 0.577, followed by technology with 0.226, Knowledge with 0.079, and lastly with -0.153. From this data, the awareness of Beta value 0.577 can be interpreted as tax compliance increasing by 0.577 when awareness increases by 1 unit while the other independent variables remain constant.

Subsequent technologies with Beta value of 0.0226 can be interpreted as each 1 unit of technology increases while the other independent variables

remain constant, tax compliance will increase by 0.226 units. Similarly, knowledge of Beta value 0.079 indicates that tax compliance will increase by 0.079 as knowledge increases by 1 unit while other independent variables remain constant. Finally, for the Beta value of -0.153, it indicates that tax compliance will decrease by -0.153 when its size is reduced by 1 unit while other independent variables remain constant.

4.10 Summary

In this chapter, descriptive analysis, scale measurement, reliability analysis, correlation coefficients and Multiple Regression are conducted to analyze and interpret the collected data. The results and interpretations of the data from the data analysis will be discussed further in the next chapter.

CHAPTER 5

DISCUSSION, CONCLUSION, AND RECOMMENDATION

5.1 Preamble

This chapter will discuss the results of this study in relation to hypotheses, or research objectives. Further discussion and main findings of this study are based on a combination of internal sources of data and analysis results based on questionnaire input. The discussion of the findings is related to conclusions and suggestions aimed at highlighting the contribution of the main findings related to the previous chapter to new levels of knowledge and application. It also discusses the limitations faced in conducting this study and suggestions for future research.

5.2 Hypotheses

In this study, hypotheses were tested and performed to analyze the significant relationship between dependent variables (tax compliance) and independent variables (awareness, knowledge, technology, and size). From the findings through Pearson Correlation analysis, the researchers can conclude that three of the four independent variables are positively related to the dependent

variable. But one of the four sizes of a business-independent variable is negatively related to its dependent variable.

However, based on multiple regression analysis, the researchers found that two of the Independent variables were not significant (technology and business size). Therefore, researchers conclude that factors that increase sales and service tax (SST) compliance are awareness and knowledge. Below are the results of the search hypothesis:

5.2.1 The Relationship between Awareness and Tax Compliance

H1 – There is a significant relationship between awareness and tax compliance

The relationship between tax awareness and compliance is important. This is because the p-value is 0.000 which means that it is lower than the alpha value of 0.05. Therefore, there is a significant relationship between these two variables. As can be deduced from this hypothesis, SMEs are aware of the implementation of SST as the government has launched a massive campaign to promote this SST. Therefore, in detail, this study concludes that when there is increased awareness, tax compliance will also increase.

5.2.2 The Relationship between Size of the Business and Tax Compliance

H2 – There is no significant relationship between size of the business and tax compliance.

The relationship between business size and tax compliance was not significant because the p-value indicates 0.219, which means more than the alpha value of 0.05. Therefore, H1 was rejected because there was no significant relationship between the two variables. One possible reason for this hypothesis is that although SMEs are aware of the sales and services tax (SST) but they still have limited knowledge on this. It indicates that the information or knowledge provided by the government in relation to SST is insufficient. Therefore, knowledge did not influence tax compliance in this study.

5.2.3 The Relationship between Technology and Tax Compliance

H3 – There is a significant relationship between technology and tax compliance

The relationship between technology and tax compliance is important. This is because the p value is 0.001 which means the value is lower than the alpha value of 0.05. Therefore, there is a significant relationship between these two variables. Given that all business transactions and operations are using

technology, most SMEs are trying to adapt to changes especially in the use of the SST accounting system. SMEs are aware that this system really helps them record and also keep their business on the right track. Therefore, in detail, this study concludes that as technology advances, tax compliance also increases.

5.2.4 The Relationship between Knowledge and Tax Compliance

H4 – There is a significant relationship between knowledge and tax compliance

The relationship between knowledge and tax compliance was significant with a p-value of 0.011 and the results showed a significant relationship between these two variables. Most of SME's business size is not large but through the implementation of SST, SMEs have provided many benefits such as reducing business costs and eliminating export duties, and so on. From here, they can operate their business and at the same time help them how to operate professionally as RMCD will help them. Therefore, this study concludes that as business size increases, tax compliance will increase.

5.3 Interpretation of the Objectives

5.3.1 Interpretation for Objective I

“To identify the factors enhancing sales and services tax (SST) compliance towards Small and Medium Enterprises SMEs”

Based on Table 4.9.1.3: Multiple Regression - Coefficient, researchers have identified factors that increase sales and service tax (SST) compliance by interpreting it using significant tests. The results show that factors of awareness, technology and size are significant values for awareness indicating with 0.000, technology indicating with 0.001 and size indicating with 0.011 smaller than alpha value of 0.05.

Meanwhile, the independent variable of knowledge was not a factor that increased sales and service tax (SST) compliance with a p-value of 0.219 which meant a value greater than the alpha value of 0.05. A study by Nurulhasni, Alizah, and Noraini, (2015) found that although knowledge is a fundamental element of raising awareness, the general public still has limited knowledge in this regard. This is because most of them are unsure when asked questions related to the SST issue. This is also supported by RMCD Superintendent Syed Nasrul Faiz Syed Mohamad (2018), saying that RMCD received numerous inquiries from taxpayers especially SMEs on SST information.

5.3.2 Interpretation for Objective II

“To examine the most influential determinant that can enhance sales and services tax (SST) compliance”

From Table 4.23: Multiple regression - Coefficients, the most influential determinants of increasing sales and service tax (SST) compliance are awareness. This is based on the p value and the independent variable β value. The following are the most influential determinants of the highest values: -

Table 5.1: The most Influential determinant

Variable	N of Items	Cronbach's Alpha Range	Strength Associations
Compliance	8	.732	Good
Awareness	8	.812	Very Good
Knowledge	8	.742	Good
Technology	8	.777	Good
Size	8	.792	Good

5.3.3 Interpretation for Objective III

“To provide recommendations and implications SMEs to the Royal Malaysian Customs Department (RMCD) on how to enhance the SST compliance”

In making SME recommendations and implications to the Royal Malaysian Customs Department (RMCD), it is integration. This integration demonstrates the need for better mechanisms for monitoring tax compliance among SMEs, as well as providing strategic direction to develop strong decision-making and enforcement strategies for RMCD to enhance their tax compliance actions and policies. This interpretation will be discussed in the next topic.

5.4 Recommendations

Based on the findings, the discussion used in this study, the following suggestions were made in an effort to increase sales and services tax (SST) compliance with SMEs. This proposal is explained by integrating all the key elements highlighted in this study, to assist government agencies (in this case RMCD) to increase tax collection rates.

5.4.1 Political Factors – Knowledge

The Royal Malaysian Customs Department (RMCD) has been recognized for their success in collecting RM27.5 billion in Sales and Services Tax (SST) for the year 2019 overcoming government projections. This is due to the enforcement approach adopted by RMCD in the early stages of

implementation. However, that approach did not last long with 32,000 registrants failing to comply (Royal Malaysian Customs Department, 2018). Therefore, the strategy adopted by the RMCD is to change the compliance with the stated compliance.

Based on the main data collected by the researchers from the questionnaire distribution, the researchers obtained information that most SMEs did not clearly understand about SST and where the collection from SST was distributed. Although the government has spent a lot on SST campaigns but still, most SMEs do not understand clearly because the communications provided by RMCD officials are not well received by SMEs. The main reason why most SMEs do not understand is because RMCD officers are given to SMEs with terms and information that they do not understand. In addition, seminars or lectures were held to a large audience that made the most of SMEs not receiving the information clearly.

Therefore, an informed compliance approach will enable the RMCD officers to have high knowledge and expertise related to the core business of the customs and effective delivery systems can be shared and value-added through Knowledge Management (KM). KM is a management mechanism for generating knowledgeable human capital to ensure effective delivery systems to ensure the strategic core of RMCD. Knowledge is a very important part of tax enforcement. Higher levels of tax knowledge will help increase the level of tax compliance (Royal Malaysian Customs Department, 2017).

5.4.2 Economic Factors – Size of the Business

Economic factors such as economic growth, inflation, recession and rising prices have an impact on SST collections. For example, the recession occurred when the economic downturn of trade and industry activity was reduced. When this happens, the collection tax is reduced as purchasing power is reduced and the company cannot collect more tax from the customer. For RMCD, the main issues they face are fraud threats that have a direct impact on SST fraudulent collections. Most SMEs find it difficult to commit fraud because of the size of their business. With the small size of the business, it will take some time for them to compile the documents as SST regulations dictate. Therefore, it affects their business finances as there is no refund after goods and services are abolished.

The threat of fraud is to make tax breaks and leaks through transfer pricing activities, counterfeiting of trade documents will continue to be a major trading issue. To address this, RMCD needs to establish a specialist audit officer in handling fraud under the Sales and Services Tax (SST), RMCD should enhance its knowledge and

skills in auditing by conducting programs such as old audit audits with firm / expert audits, providing signature visits overseas in relation to risk management and auditing, and to send audit officers to attend related courses locally and abroad (Royal Malaysian Customs Department, 2014).

In addition, the capabilities of the RMCD organization need to be strengthened when implementing new programs or actions towards achieving the stated strategic goals. This capability will be supported by robust organizational structure and flexible execution of tasks such as teamwork, matrix and project-based. For example, the SST division requires sufficient personnel to perform their duties efficiently and to handle SST issues or cases. In dealing with fraud issues, the size of the business plays an important role, with the hiring of accountants managing all matters related to SST so that they have no intention of fraud. This is because when a company does not have a skilled worker in SST, they will intend to commit fraud for not recording the SST Transaction in Form SST-03.

5.4.3 Social Factors - Awareness

Sales and Services Tax (SST) is significantly different from the Goods and Services Tax (GST) which will increase the prices of goods. Since the implementation of the SST, prices of goods have continued to rise. As such, it has impacted both the cost of living of consumers as well as SMEs due to low demand and purchasing power.

RMCD needs to be aware of this and come out with results to resolve this major issue.

Therefore, to resolve this, the RMCD and the Ministry of Domestic Trade, Cooperation and Consumerism (KPDNKK) must cooperate by enforcing any non-compliant business operations. The RMCD should provide more training programs for taxpayers, help taxpayers to provide a clearer understanding of SST knowledge, the need to upgrade computer systems, seek reimbursement from tax authorities, and improve accounting systems to cover SST, clarity of sales and services. Taxable, maintain records for customers, understand SST laws, deal with tax authorities, and cooperate with customers. For the KPDNKK, they need to update by checking with business operators whether they are following the cell price of the item. By doing so, the cost of living will increase and sales will increase and SST collections will increase as well.

5.4.4 Technological Factors – Technological

The technological factors in this study were to use uCustoms to replace the old system of Customs Information Systems (SMKs) which is an innovation in technology as a means of improving the department's delivery system. Changes in Sales and Services Tax (SST) to Goods and Services Tax (GST) also require changes to the web-based technology system. In addition, high-tech and up-to-date equipment is also required for customs clearance processes such as Intrusive Inspection Equipment (NII)

(Royal Malaysian Customs Department, 2014). Therefore, to make the technology more robust, RMCD will need to implement and strengthen the new tax system by updating and upgrading MySST and uCustoms modules based on departmental legislative requirements and policies.

In addition, to increase the level of knowledge among officials about this technology, RMCD will need to conduct in-house training on MySST and uCustoms applications to all SST headquarters and state workers and make improvements to the weaknesses inherent in the SST system. In addition, to increase tax compliance among SMEs, RMCD will install a 'Dongle' device at each SST-registered premises to detect traders who cannot pay it. Dongle will be installed on each cash register machine that will allow each transaction to be recorded and sent to the JKDM server machine at the headquarters. This mechanism allows it to know real-time collections and thus increase the level of compliance. The device will be installed in 3 months and will see its effectiveness before it is permanently installed.

5.5 Suggestions for Future Study

The main objective of this research was to identify key issues in raising the level of understanding of SST compliance with SMEs by the Customs Department of Malaysia (RMCD) to determine Sales and Services Tax Compliance on SMEs in Kota Bharu, Kelantan. Therefore, studies show that

SST information registered from SMEs needs to be updated to obtain data from SMEs by taking a closer look at dominant or active company status and annual income. In addition, researchers need to be better prepared to distribute questionnaires to companies in order to explain the questionnaire so that it can be easily understood.

5.6 Conclusion

The main purpose of this research is to identify the key issues in increasing sales and service tax (SST) compliance with SMEs. There are four independent variables that are recognized based on previous literature and academic construction. These variables are awareness, knowledge, technology, and size of the business.

However, based on the findings, the researchers have found out that one of the independent variable was not significant that is size of the business. Hence, the researchers concluded that the factors that enhancing Sales and Services Tax (SST) compliance towards on the SMEs are awareness, knowledge and technology.

5.7 Summary

In this study and discussion, objectives have been achieved. From the analysis it was found that awareness is the most important factor in increasing SST compliance among SMEs. In addition, other factors that enhance SST compliance among SMEs are technology and business size. Because this study uses variables extracted independently from previous studies and self-assessments of the subjects conducted and the subjects of the follow-up study should be conducted to see how consistent the findings of the study are. In addition to proposing proposals to RMCDs, this study demonstrates the need for better mechanisms for monitoring tax compliance among SMEs and enforcement strategies for RMCDs to enhance their tax compliance actions and policies.

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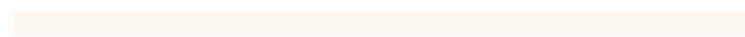
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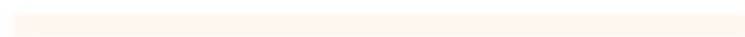
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APPENDIX

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APPENDIX A



Assalamualaikum w.b.t

Tuan / Puan,

Untuk makluman pihak tuan/puan, saya merupakan pelajar tahun akhir Ijazah Sarjana Pentadbiran Perniagaan (MBA), Universiti Malaysia Kelantan Kampus Kota, Pengkalan Chepa Kota Bharu Kelantan. Kini saya sedang menyiapkan kajian mengenai **“Mencari Faktor Meningkatkan Pematuhan Cukai Jualan dan Perkhidmatan Terhadap Perusahaan Kecil dan Sederhana di Kelantan”** bagi memenuhi keperluan **Kertas Projek UMK (GST 5123)**.

Sebagai pendaftar SST, tuan/puan merupakan kumpulan sasaran kami dalam kajian ini. Kami amat memerlukan kerjasama daripada pihak tuan/puan untuk menjawab soalan kaji selidik ini bagi menyiapkan kajian saya.

Sehubungan itu, saya mengharapkan kerjasama daripada pihak tuan/puan untuk menjawab soalan kaji selidik ini dan jawapan adalah berdasarkan kepada pengalaman tuan/puan sendiri tanpa dipengaruhi oleh faktor-faktor lain kerana ini akan membantu saya dalam proses penganalisan data yang tepat.

Segala kerjasama daripada pihak tuan/puan amat saya hargai dan saya akhiri dengan ucapan ribuan terima kasih.

Sekian, wassalam.

Bulkin Bin Mohd Yasin

APPENDIX B

Questionnaire



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Assalamualaikum w.b.t

Tuan / Puan,

Untuk makluman pihak tuan/puan, saya merupakan pelajar tahun akhir Ijazah Sarjana Pentadbiran Perniagaan (MBA), Universiti Malaysia Kelantan Kampus Kota, Pengkalan Chepa Kota Bharu Kelantan. Kini saya sedang menyiapkan kajian mengenai **“Meningkatkan Pematuhan Cukai Jualan & Cukai Perkhidmatan Ke Atas Perusahaan Kecil & Sederhana”** untuk memenuhi keperluan Kertas Projek UMK (GST5123).

Sebagai pendaftar SST, tuan/puan merupakan kumpulan sasaran kami dalam kajian ini. Kami amat memerlukan kerjasama daripada pihak tuan/puan untuk menjawab soalan kaji selidik ini bagi menyiapkan kajian saya.

Sehubungan itu, saya mengharapkan kerjasama daripada pihak tuan/puan untuk menjawab soalan kaji selidik ini dan jawapan adalah berdasarkan kepada pengalaman tuan/puan sendiri tanpa dipengaruhi oleh faktor-faktor lain kerana ini akan membantu saya dalam proses penganalisaan data yang tepat.

Segala kerjasama daripada pihak tuan/puan amat saya hargai dan saya akhiri dengan ucapan ribuan terima kasih.

Sekian, wassalam.

**SEMUA MAKLUMAT YANG DIBERIKAN ADALAH SULIT DAN
PERSENDIRIAN
ALL INFORMATION PROVIDED IS KEPT PRIVATE AND CONFIDENTIAL**

**PART A
PROFIL SYARIKAT / COMPANY PROFILE**

ARAHAN : Sila tanda (x) pada jawapan yang sesuai di dalam kotak yang disediakan.

INSTRUCTION : Please indicate by ticking (x) the appropriate answer in the boxes provided.

1. Apakah status pendaftaran perniagaan milikan anda? / *What is your business ownership?*

- | | | | |
|--------------------------|---------------------------------------------------------------------|--------------------------|------------------------------------------------------------|
| <input type="checkbox"/> | Milikan Tunggal / <i>Sole Proprietorship</i> | <input type="checkbox"/> | Perkongsian / <i>Partnership</i> |
| <input type="checkbox"/> | Perkongsian Liabiliti Terhad / <i>Limited Liability Partnership</i> | <input type="checkbox"/> | Syarikat Sendirian Berhad / <i>Private Limited Company</i> |

2. Aktiviti dan kategori perniagaan utama anda? / *Your main core business and activities?*

No	Sektor Pengilangan / <i>Manufacturing Sector</i>	Tandakan / <i>Tick (√)</i>	No	Sektor Perkhidmatan / <i>Service Sector</i>	Tandakan / <i>Tick (√)</i>
1	Pembuatan makanan dan minuman / <i>Food and beverage manufacturing</i>	<input type="checkbox"/>	6	Restoran / <i>Restaurant</i>	<input type="checkbox"/>

- | | | | | | |
|---|--------------------------------------------------|--------------------------|----|----------------------------------------------------------|--------------------------|
| 2 | Pembungkusan / <i>Wrapping</i> | <input type="checkbox"/> | 7 | Penyediaan Makanan / <i>Catering</i> | <input type="checkbox"/> |
| 3 | Peralatan Industri / <i>Industrial Equipment</i> | <input type="checkbox"/> | 8 | Insuran / <i>Insurance</i> | <input type="checkbox"/> |
| 4 | Percetakan / <i>Printing</i> | <input type="checkbox"/> | 9 | Telekomunikasi / <i>Telecommunication</i> | <input type="checkbox"/> |
| 5 | Tekstil / <i>Textile</i> | <input type="checkbox"/> | 10 | Penghantaran barangan / <i>Currier</i> | <input type="checkbox"/> |
| | | | 11 | Lain-lain (sila nyatakan) / <i>Others (please state)</i> | |

3 Tempoh perniagaan / *Duration of business*

- 0 - 10 tahun / *0 – 10 years*
- 11 - 20 tahun / *11 – 20 years*
- 21 - 30 tahun / *21 – 30 years*
- 31 – 40 tahun / *31 – 40 years*
- 41 – 50 tahun / *41 – 50 years*
- 51 tahun keatas / *51 years and above*

4 Milikan perniagaan anda? / *Your business possession?*

- Bumiputera / *Bumiputera*
- Cina / *Chinese*

- India / *Indian*
- Lain-lain / *Others*

5 Bilangan pekerja? / *Total of employee?*

- 50 -100
- 101 - 150
- 151 - 200
- 201 - 250
- 251 ke atas / *251 and above*



PART B
PEMATUHAN CUKAI / TAX COMPLIANCE

ARAHAN : Sila tandakan (√) pada jawapan mengikut kesesuaian anda
INSTRUCTION : For each item tick (√) the number on the scale that best corresponds to your preference

1 = Sangat tidak setuju / Strongly disagree

5 = Sangat setuju / Strongly agree

Bil / No.	Pernyataan / Statement	Skala / Scale				
		1	2	3	4	5
1	CJP menggalakkan pematuhan secara sukarela? / SST encourage voluntary compliance?					
2	Semua transaksi perniagaan di atas CJP direkodkan? / All the business transaction on SST will be recorded?					
3	Mematuhi pematuhan CJP membantu memastikan prestasi perniagaan berada pada landasan yang betul? / Comply with SST compliance helps keep track of the performance of the business?					
4	Membayar hasil kutipan CJP kepada JKDM adalah perkara yang betul untuk dilakukan? / Paying SST that's been collected to the RMCD is the right thing to do?					

5	CJP boleh meningkatkan pendapatan melalui pematuhan cukai yang lebih tinggi? / <i>SST can increase revenue through higher tax compliance?</i>					
6	Sebagai sebuah syarikat perusahaan kecil dan sederhana kami patuh kepada proses dan tanggungjawab pendaftaran, penghantaran, pelaporan dan pembayaran CJP? / <i>We comply with the process and responsibility registration, delivering, reporting and payment of SST as a small and medium enterprise company?</i>					
7	Pada pendapat saya, klasifikasi CJP adalah jelas dan meningkatkan kadar pematuhan CJP / <i>In my opinion, SST classification is clear and increase the SST compliance rate</i>					
8	Syarikat kami sentiasa melaporkan pendapatan dengan betul di dalam boring CJP / <i>Our company always report the income in SST form with correctly</i>					

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PART C
KESEDARAN / AWARENESS

ARAHAN : Sila tandakan (√) jawapan mengikut kesesuaian anda
INSTRUCTION : For each item tick (√) the number on the scale that best corresponds to your preference

1 = Sangat tidak setuju / Strongly disagree

5 = Sangat setuju / Strongly agree

Bil / No.	Pernyataan / Statement	Skala / Scale				
		1	2	3	4	5
1	Adakah anda sedar terhadap CJP? / <i>Are you aware of SST?</i>					
2	Perlaksanaan CJP dicadangkan oleh pihak Kerajaan? / <i>SST implementation being proposed by government?</i>					
3	CJP adalah cukai seperingkat? / <i>SST is a single stage tax?</i>					
4	Terdapat pembuatan atau perkhidmatan yang dikecualikan daripada CJP? / <i>There are manufacturing or services exempted from SST?</i>					
5	CJP tidak boleh dituntut oleh perniagaan yang berdaftar? / <i>SST can't claimed by business registered?</i>					
6	Kesedaran tentang CJP telah meningkat sejak ia diumumkan dan dilaksanakan oleh pihak kerajaan pada 1 September 2018? / <i>The awareness of SST has increased since it was announced and implemented by the government on 1st September 2018?</i>					

7	CJP telah meningkatkan hasil negara? / <i>SST has increased the country's revenue?</i>					
8	CJP tidak membebankan syarikat? / <i>SST does not burden the company?</i>					

PART D
PENGETAHUAN / KNOWLEDGE

ARAHAN : Sila tandakan (√) jawapan mengikut kesesuaian anda
INSTRUCTION : For each item tick (√) the number on the scale that best corresponds to your Preference

1 = Sangat tidak setuju / Strongly disagree

5 = Sangat setuju / Strongly agree

Bil / No.	Pernyataan / Statement	Skala / Scale				
		1	2	3	4	5
1	CJP telah dilaksanakan pada 1 April 2018? / SST was implemented on 1 st April 2018?					
2	CJP telah menggantikan Cukai Barang dan Perkhidmatan yang sedia ada? / SST replace the goods and services tax?					
3	CJP yang dikenakan adalah sebanyak 10% dan 6%? / SST is charge at 10% and 6%?					
4	CJP merupakan cukai berkesan kerana ia dikutip seperingkat iaitu pengilang ke pengguna dan penjual perkhidmatan ke pengguna? / SST is effective tax because it is collected single stage from manufacture to customer and sales services to customer?					

5	<p>Perlaksanaan CJP akan memberi kesan positif kepada sektor industri dan ekonomi negara secara keseluruhannya? <i>/ SST implementation will have a positive impact on the industrial sector and the national economy as a whole?</i></p>					
6	<p>Maklumat dari media cetak dan elektronik telah meningkatkan pengetahuan saya dan syarikat tentang CJP? <i>/ The information about SST from print and electronic media has increased the knowledge to the company and me?</i></p>					
7	<p>Seminar dan penerangan yang dilakukan oleh pihak kerajaan meningkatkan pengetahuan saya tentang CJP? <i>/ The explanation and seminar made by the government has improved my knowledge about SST?</i></p>					
8	<p>Saya boleh menjelaskan CJP dengan baik? <i>/ I can give good explanation about SST?</i></p>					

MALAYSIA

KELANTAN

PART E
TEKNOLOGI / TECHNOLOGY

ARAHAN : Sila tandakan (✓) jawapan mengikut kesesuaian anda
INSTRUCTION : For each item tick (✓) the number on the scale that best corresponds to your

Preference

1 = Sangat tidak setuju / Strongly disagree

5 = Sangat setuju / Strongly agree

Bil / No.	Pernyataan / Statement	Skala / Scale				
		1	2	3	4	5
1	Penggunaan teknologi maklumat akan memastikan ketelusan pentadbiran syarikat dalam urusan CJP? / <i>The use of information technology will ensure administration's transparency of company in SST?</i>					
2	Sistem cukai secara atas talian akan meningkatkan pematuhan CJP secara mampan? / <i>The online tax system will enhance SST compliance sustainably?</i>					
3	CJP meningkatkan kecekapan ekonomi dalam sistem percukaian? / <i>GST enhance the economy's efficiency in taxation system?</i>					
4	JKDM telah memperkenalkan talian memfailkan Penyata CJP dan usaha ini telah membantu urusan pentadbiran? / <i>RMCD has introduced online filing of SST statements thus assisting the SST administration work?</i>					

5	Peningkatan dalam teknologi akan meningkatkan kemampuan sistem cukai dalam talian pada masa depan? <i>/ The improvements in technology will enhance the sustainability of online tax system in future?</i>					
6	Syarikat ini bersetuju bahawa kajian semula sistem perakaunan apabila CJP dilaksanakan adalah perlu dilakukan? <i>/ This company agrees that the existing accounting system need to be evaluated once SST is implemented?</i>					
7	Khidmat SMS dan info blast perlu diperkenalkan oleh JKDM untuk meningkatkan kepatuhan syarikat terhadap CJP? <i>/ SMS and info blast services need to be introduced by RMCD to increase the company's compliance with SST?</i>					
8	Tidak perlu diadakan kajian semula sistem perakaunan syarikat apabila CJP dilaksanakan? <i>/ No need to review corporate accounting system once SST is implemented?</i>					

PART F
SAIZ PERNIAGAAN / SIZE OF THE BUSINESS

ARAHAN : Sila tandakan (√) jawapan mengikut kesesuaian anda
INSTRUCTION : For each item tick (√) the number on the scale that best corresponds to your

Preference

1 = Sangat tidak setuju / Strongly disagree

5 = Sangat setuju / Strongly agree

Bil / No.	Pernyataan / Statement	Skala / Scale				
		1	2	3	4	5
1	Operasi perniagaan syarikat akan mempunyai beberapa perubahan apabila CJP dilaksanakan? / <i>The company's business operation would have some changes when SST is implemented?</i>					
2	Mungkin terdapat beberapa kesan potensi ke atas perniagaan syarikat apabila CJP dilaksanakan? / <i>There might be some sort of potential impact on company business if SST implemented?</i>					
3	CJP akan memberi kesan kepada aliran tunai perniagaan syarikat? / <i>SST will affect the cash flows of the company's business?</i>					
4	Syarikat akan menanggung perbelanjaan modal permulaan (peralatan baharu) untuk CJP? / <i>The company would incur initial capital outlays (new equipment) for SST?</i>					

5	Kos pematuhan syarikat akan meningkat dengan pelaksanaan CJP? / <i>Company's compliance cost would increase with SST implementation?</i>					
6	Adakah syarikat anda bersetuju bahawa syarikat anda perlu menentukan harga semula ke atas barangan dan perkhidmatan sejak CJP dikenakan ke atas perolehan barangan dan perkhidmatan (input) semula? / <i>Does your company need to determine re price of goods and services since SST is imposed on the acquisition of goods and services (input) again?</i>					
7	Syarikat ini bersetuju bahawa CJP akan memberi kesan kepada latihan kakitangan syarikat? / <i>The company agrees that SST will affect to the company's staff training?</i>					
8	Syarikat ini tidak bersetuju bahawa CJP akan memberi kesan kepada latihan kakitangan syarikat? / <i>Does the company disagree that the CJP will affect the training of company employees?</i>					

*CJP = Cukai Jualan & Perkhidmatan
 *SST = Sales & Services Tax

PART G
PENDAPAT / SUGGESTION

Cadangan Tuan/Puan dalam Meningkatkan Pematuhan Cukai Jualan dan Perkhidmatan ke atas Perusahaan Kecil dan Sederhana. / *Your opinions for Enhancing Sales and Services Tax (SST) compliance on SMEs.*

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Terima kasih diatas kerjasama yang diberikan
Thank you for your kind cooperation

