Electronic Tax Filing: Preliminary Evidence from a Developing Country

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ABSTRACT

Governments are seeking to benefit from information technology by incorporating various government services online for the benefits of the citizen. The Malaysian government, as part of its Multimedia Super Corridor (MSC) project, introduced e-filing in 2006, which is the process of filing taxes using the Internet as one of the e-government services. This is an exploratory study to model the determinants of intention to use an Internet tax filing system. The authors used 4 variables as predictors or intention to use which were perceived usefulness, perceived ease of use, perceived risk, and facilitating condition. Data was collected from 100 respondents using non-probability purposive sampling via a structured questionnaire. As hypothesized, perceived ease of use, perceived usefulness, and facilitating condition were positively related to intention to use. The findings show that perceived usefulness has the strongest influence on intention to use ($\beta = 0.341$), followed by perceived ease of use ($\beta = 0.278$) and facilitating condition ($\beta = 0.234$). As hypothesized, perceived risk was negatively related ($\beta = -0.223$) to intention to use indicating that users are concerned by the risk involved in filing taxes online. The regression results show that the four variables can explain 52.2% of the variation in intention to use which indicates good explanatory power. Understanding these factors can extend the knowledge, which can lead to better planning and implementation of e-Filing in Malaysia.

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INTRODUCTION

Over recent years, government use of the Internet as a platform to provide services to citizens has grown significantly. One of the major priorities already identified by many officials in charge of introducing electronic government is tax. Governments around the world have quickly realized that electronic filing of tax, if properly used; provide a way to greatly simplify the revenue collection process.

Considerable savings can be derived from propagating Internet tax filing system or e-Filing as it is known in Malaysia. Forrester Research (2001), has identified that savings fall in the following three categories.

- Automated data entry yields great savings. Government clerks need not reenter tax information once entered by taxpayer and sent electronically to the relevant government database. As a result, the productivity of data entry and checking doubles to 10 tax files a day—reducing labor expenses for data handling personnel by 80 percent.
- Fewer errors lighten verification and correction burden. Intelligent data entry and the elimination of data re-entry, combine to bring the error rate to 5 percent in countries like Ireland.
- Electronic data exchange reduces printing and mailing costs. Tax departments may spend considerable amount of money to subcontract printing and mailing of tax forms.

In the Asia-Pacific region, Malaysia and Japan were the 2 countries with the lowest number of users making transactions using online government with just 12% and 13% respectively. Singapore leads the region with 53% although Australia has seen the most significant increase in online government service usage from 31% to 46%. (The Star, Nov 12, 2002)

Starting in 2006, Malaysian citizens are able to choose from two methods tax-filing: manual and Internet based or e-Filing. This is the first year the Inland Revenue Board (IRB) Malaysia introduced the use of online tax return filing.

According to The Star May 1 2006, 120,000 taxpayers have filed their returns electronically. IRB chief executive officer Tan Sri Zainal Abidin Abdul Rashid said the IRB wants to play a proactive role by encouraging taxpayers to adopt e-Filing, which is easier and faster. This is inline with the Government’s Information Technology policy. He added that the IRB would begin a nationwide campaign at the end of this year to encourage people to file their tax return electronically. The 120,000 tax returns represent about 1.2% of the population of the tax payers. The number of taxpayers is expected to steadily rise. The predicted number of the population that is expected to be within the age group of 25-55 years of age in 2010 is expected to rise to 12 million. Unofficial sources have put the cost saving of processing each tax return form at RM10.00. This point to a potential cost saving of millions of dollars.

The objective of this paper is to study what factors influence intention to use e-Filing among taxpayers in Penang, Malaysia.

RESEARCH MODEL AND HYPOTHESES

The basic theory that forms the basis of this research is the Technology acceptance model developed by Davis (1989). Technology Acceptance Model (TAM) is tailored for IS contexts, and was designed to predict information technology acceptance and usage on the job (Venkatesh, Morris, Davis & Davis, 2003). TAM introduced by Davis (1986) specifies two particular beliefs—perceived usefulness and perceived ease of use. Perceived usefulness (PU) is defined by (Davis, 1989) as the degree to which a person believes that using a particular technology will enhance his perfor-