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E-commerce Implications

Potential Problems and Challenges in Malaysia

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Abstract

E-commerce transaction has grown immensely. It has directly or indirectly imposed a number of challenges to the government administration particularly to the tax system. There are mix views to the implication of e-commerce. Some opine that e-commerce improves tax system, while others belief that tax system was designed in the era where e-commerce does not exist, thus, creating problems to the tax system. This study, therefore, investigates the tax problems posed by e-commerce and solicit opinions from various parties on problems faced in taxing e-commerce.

The findings reveal that tax administration was ranked as the highest potential tax problem, followed by tax evasion, double taxation, tax avoidance, and tax free. In addition, there is no significant difference in the subjects' attitudes towards e-commerce and internet tax. Overall results show that subjects perceive e-commerce as creating tax problems, however, their views do not differ on tax liability from physically or electronically oriented commercial environment.

Keywords: Tax, E-commerce, Problems, Challenges, Implications, Tax administration, Permanent establishment, Tax liability

1. Introduction

Cross country trade is vibrant since the days of Marco Polo. The growth of trade beyond cross border then increased profusely, using the conventional mean of doing business, where customer and supplier interact face to face. However, the sudden popularity of the international trade had somewhat created a new kind of trading problem to the government – which is tax problem. As tax is the major source of revenue for the government, difficulty in charging tax would means difficulty in getting revenue. Thus, a consensus has been established to solve the problem – tax treaties among trading countries. Established in the early 19th century, permanent establishment was used as the determinant to supplement the tax principle in charging tax liability in connection with international business, as such solved the problem of who should have the tax liability from foreign entities doing business in the country of origin (Buchanan, 2001).

Progressively, in the 20th century, the evolution of business became more global. The whole world became enthusiastic about the new mode of conducting business – the internet. E-commerce is one of the unique features provided by the internet. E-commerce, which is third layer of the internet had introduced the world with a new mechanism of commerce which is faster and easier (Edwards & Waelde, 2000). This transformation from the conventional to an electronic means of conducting business has been adopted world wide. This rapid growth of e-commerce is hailed as a revolution in global retail trade that is opening up new consumer markets across borders and continents. As good as it may seem, this new evolution of business mode has triggered the important aspects of taxing profitable income. This is because e-commerce has created a cyberspace trading whereby the businesses are engaged in a trade without having a physical presence which has disturbed the manifesto of conventional tax principle, which is identification of physical presence. This has led the government in many countries to face a new challenge of tax problems – loss of tax revenue (Thomas, 1999). Therefore, this paper investigates the potential tax problems posed by e-commerce in the Malaysian environment.

1.1 Objectives

The general objective of the study is to examine the potential problems created by e-commerce. Specifically, the paper aims:

(1) To investigate tax problems posed by e-commerce;

(2) To solicit opinions from the tax practitioners, IRB officers, accountants in the accounting firms, and accounting academicians on problems faced in taxing e-commerce business;

(3) To compare the subjects' perceptions on the potential tax problems in e-commerce based on different countries scenarios.

2. Literature Review

2.1 Tax

Originally, tax determinant such as permanent establishment was established to solve the problem of tax dispute between countries. The issue of 'who has the right to tax income is important as income from tax is an important source of income to the government. As a result, government around the world has elected to minimize the problem by having bilateral agreements between countries through tax treaties.

Then again, the development of e-commerce has somewhat revolutionized the development of international trade. E-commerce has broken the chain and barriers of geographical border to almost every latitude and longitude. Obviously, the evolution of e-commerce has become so vast that even country that never heard before could be connected via internet and join the wagon of e-commerce. Although information technology revolution is tremendous, the impact faced by the tax authority is also challenging. Due to the rigorous development of e-commerce, tax revenue in many countries has been affected (Basu, 2001).

2.2 E-Commerce and Tax: Problems

Using new tool in the old house – how can e-commerce fit in the field of tax? Many issues have been pointed and debated in respect of e-commerce in relation to the field of taxation. There are a few schools of thoughts on this subject but sadly sparse studies have been conducted on this issue.

Generally, many believed that e-commerce would unquestionably stir the laws of taxation (Vohra, 2004; Horn, 2003; Cockfield, 1999). They pointed that the existing tax rules governing transactions was designed for conventional commerce where the physical presence can be easily identified, therefore, the same principles cannot be applied on e-commerce transactions. For example, the principles on permanent establishment (PE), which has been used as demarcation point to establish whether a source country should tax the profits derived from foreign businesses are based on the principles of physical presence. Apart from PE, there are also other important tax issues such as double taxation, and source-based nature of existing tax principles which could lead to tax avoidance, double taxation and tax free (Borkowski, 2002).

2.3 Developing Countries Perspective

Acknowledging the importance of the issue related with taxing e-commerce, developed countries such as United States, United Kingdom, France, Germany and Australia for example, have published e-commerce policy statement in the late 20th century (Foley & Khoo, 2000). Naturally, the developed countries have recognized the impact of e-commerce to the tax regime hence has taken ways and means to safeguard their tax revenue collection. However, there seem to be divergent of thinking between policy makers. Notably, the policy adopted by these countries slightly differs from each other taken into consideration the social, political and ideology of the countries. Nevertheless the policy accepts e-commerce as a new mode of doing business in the modern world.

Recognizing the commotion, the Organization for Economic Co-operation and Development (OECD) has initiated a tax model for e-commerce, which is now used as a benchmark for many countries including Malaysia (Scally, 2002). The OECD Electronic Commerce and Taxation Conference held in October 1998 reached consensus relating to various issues concerning e-commerce, which has resulted in a joint declaration on taxation and e-commerce. In addition, the Ottawa Conference concluded that government and businesses must cooperate in implementing a taxation framework for e-commerce in order for the full potential of new technologies to be realized. The conference representatives viewed that the new technologies have a great potential to simplify tax systems and enhance taxpayer services that are capable of being guided by the same principles that are used in current tax system. Sequentially, in October 1999, the OECD Working Group on Tax Conventions proposed the application of PE definition for e-commerce transactions, which have been used by many countries as a guide to address the issues on PE in their jurisdictions.

The OECD later updated the guideline with regards to PE where issues pertaining to e-commerce are discussed. The update has identified 28 different transactions and related payments involving varying degrees of e-commerce (Scally, 2002). However, the commentary on Article 5 (on PE) is still narrow because the commentary is confined to the consideration of the present definition of PE but not discussing the broader and important issue of whether any changes should be made to the definition, or the concept should be abandoned.

In cases of tax disputes between countries, tax treaties would be the solution to resolve the problem. Normally, PE would be used as a determinant to justify the status of the taxpayer. As PE means "a fixed place of business", the legal authority would tax income based on the place where the physical presence of the taxpayer or the entity is identified. In the absence of PE, a country where goods or services are sold has no rights to tax the resulting income (Li & See, 2002). However, in the case of e-commerce, the determination of PE would seem to be a problem since the fixed place of business is uncertain. What used to be the traditional ways of taxing income, i.e. using physical location concept, now seems to play a minor role in solving disputes over the right to impose tax.

Evidently, a study by Othman, Hanefah, and Bidin (2004) indicates that 90% of the subjects agreed that the present definition of PE affects the concept of income in e-commerce trading. The results indicate that the subjects perceived the present PE definition, if used in e-commerce environment, would result in tax loss, double taxation, and tax evasion. They believe that e-commerce would undermine the principles used to determine PE, which would create opportunity for tax avoidance and evasion.

2.4 ASEAN Region Perspectives

In Hong Kong, a survey was conducted to study the potential international problems posed by the e-commerce. The study found that e-commerce poses tax problems, in areas such as tax administration, double taxation, tax evasion, tax avoidance and tax free to the tax authority. Interestingly, the study revealed that tax avoidance is the highest-ranked potential tax problem identified in respect of e-commerce (Davis & Chan, 2000). Other problems identified were double taxation and tax administration, whilst tax evasion was perceived to be the least potential problem.

Considering the impact of e-commerce to the tax authority, the Hong Kong Society of Accountants (HKSA) has established a Tax System Review Committee in order to examine matters related to its tax system. The committee is set up to identify the related tax area that would be affected by e-commerce; how e-commerce transactions should be taxed and how to establish a PE whether the existing tax legislation is strong and wide enough to bring the electronic based revenue to a tax net in order to avoid loss of tax revenues (Cheung, 2001).

India, on the other hand, has also moved in the same path as Hong Kong, in respect of the taxing e-commerce issue. In fact, some of the experts (based on the committee consisting of senior Indian government and industry officials) agreed that the present tax system would affect the tax revenue (Moran & Kummer, 2003). The committee opined that present tax practice, which rely on the permanent establishment need to be modified to suit the present technology advancement. The committee has taken a step forward in modifying its PE concept because they believed that the concept that is normally used would affect their tax revenue.

Progressively, Singapore which is poised to become the forerunner in the Asian region in regards to the adoption of e-commerce has issued a guideline on E-Commerce Tax in 2001 through its tax authority, Singapore's Inland Revenue Authority. With the aim to assist businesses in understanding the Income Tax treatment on e-commerce, the guideline provides various situations that could be adapted by the taxpayer (IRAS, 2001).

2.5 Malaysian Perspective

The existence of divergence in the tax practices is generally due to factors such as social culture, politic, etc. Divergent or not - most of the tax practices are designed with the basic element of tax consideration which are neutrality, certainty and fairness. Malaysia like other country applies a balanced tax system where all the elements stated above have been taken into consideration. Malaysian tax system is territorial in nature which applied the source based approach as to taxing chargeable income. According to the source based system practice in Malaysia, income is taxable if it is derived in Malaysia or received in Malaysia from abroad. Based on the source of income principle's rule, the place where the contract is negotiated, the place where the contract is completed, and identification of whether the place of business operations are carried on in Malaysia, are the determinant factors of taxing income (Malaysia Income Tax Act, 1967). In essence, this principle of using sources as rule to tax income is centered on the physical locations.

Regrettably, to date there is no specific guidelines issued by the IRB with regards to e-commerce taxation. The increase in trade volumes from e-commerce activities must be monitored. Therefore, a set of tax system which is equitably fair to the government and taxpayers need to be initiated. Predictably, the need for national tax system to reduce the imbalance of tax collection on e-commerce activities is suggested. In future, e-commerce and internet will be no longer alien to taxpayers. In fact, it will be the norm of doing business, therefore, a solid equitable tax system need to be established. As such, government should take a step further to accommodate the present tax system with the technology change in order to avoid loss of revenue.

3. Methodology

This study is conducted to solicit opinion towards e-commerce in relation to tax problems. The sample was obtained from various sources. Malaysia Institute of Taxation directory, which contain approximately 2,085 registered members was used to identify the sample of 625 tax practitioners. Sample for academician was selected from Malaysian public and private universities teaching taxation where 20 academicians were selected and about 10 officers from the IRB were also identified in this study as respondents.

Data were collected using a survey questionnaire. Questionnaire used by Davis and Chan (2000) was adopted with modifications in order to suit the Malaysian environment. The questionnaire contained three main sections. The first section contains general information of the subjects relating to their occupation, business nature, and experience of the subjects of either as a taxpayer or as a tax adviser. Section two consists of the subjects' opinions on tax problems associated with the e-commerce. The subjects were given a seven point Likert scale of 1 (strongly disagree) through 4 (neutral) to 7 (strongly agree). The potential tax problems are divided into potential double tax problems, tax free, tax avoidance, tax evasion, and tax administration. The following section contained two different scenarios dealing with e-commerce in multi-locations with different tax rules and tax treaties. The first scenario deal with a physical product (i.e. book) which contained the following information: ABC Ltd., a German corporation, a French primary server with a mirror server in Australia, a Malaysian customer, and a warehouse in Singapore.

The second scenario was a modification of the first scenario where the product sold is changed to the music downloaded directly from the homepage. Subjects indicated their degree of agreement with the argument based on the statement given. The statement contains four items describing the tax principles of various jurisdictions (France, Australia and Malaysia). Prior to a full scale study, the questionnaire was pre-tested among the tax experts, i.e., tax practitioners and academicians. Minor modifications were then made to several of the statements to increase clarity and understanding. The overall reliability shows a Cronbach Alpha of 0.716 which according to Sekaran (2000) and Nunnally (1978) as reasonable. A total of 655 samples were selected and questionnaires distributed. A total of 60 completed and usable questionnaires were received, indicating a response rate of 9%.

Data were analyzed using descriptive statistics of mean and standard deviation. Due to the small sample frame, a non-parametric test is used where group differences were analysed using Kruskal-Wallis. According to Coakes and Steed (2003), Kruskal-Wallis is equivalent to the one-way ANOVA which allows examining possible differences between two or more groups.

In this study, the following null hypotheses are tested:

$H_0$1: Attitudes relating to e-commerce and Internet tax are not affected by the subjects' occupation.

$H_0$2: Attitudes relating to e-commerce and Internet tax are not affected by the subjects' business nature.

$H_0$3: Attitudes relating to e-commerce and Internet tax are not affected by the subjects' years of experience as taxpayers.

$H_0$4: Attitudes relating to e-commerce and Internet tax are not affected by the subjects' years of experience as tax advisers.

4. Results

Table 1 provides the demographic data. There are five categories of occupations identified in the study which are tax professional (48.33%), accounting professional (11.67%), lecturer (20%), government officer (11.67%), and others (8.33%). These groups are of various business natures such as Certified Public Accountant firms (60%), government tax office (11. 67%), educational institution (20%), and others (8.33%). Majority of the subjects has experience being a taxpayer and tax adviser within 6 to 10 years (33.33%).

4.1 Potential Tax Problems

In line with our objective which is to investigate tax problems posed by e-commerce, the study requested subjects to indicate whether they agree that e-commerce will posed potential tax problems of double taxation, tax free, tax avoidance, tax evasion, and tax administration.

Overall, the respondents agree that e-commerce creates taxation problems with mean score for all questions above 5.0 (Table 2). In ranked, it is found that tax administration shows the highest mean score in regards to the possible tax problem posed by e-commerce business, with mean and standard deviation of 5.63 and 1.45, respectively. Tax evasion is placed as the second possible tax problem with a mean of 5.37 and standard deviation of 1.50. The third possible problem is double taxation with mean of 5.27 and standard deviation of 1.53, followed by tax avoidance with the mean and standard deviation of 5.25 and 1.46, respectively. Finally, tax free has been identified as the last choice in regards to possible tax problem identified by the respondents with a mean result of 5.07 and standard deviation of 1.78.

4.2 Responses to Potential Problems Based on Scenarios

A set of scenarios based questions was designed to solicit the opinion of tax practitioners, accountants in accounting firms, Inland Revenue Board (IRB) officers, and academicians on problems faced in taxing e-commerce business. The objective is to solicit the opinions of the subjects with reference to case studies identified based on their experience and understanding of the law applicable in various jurisdictions. Subjects gave their opinions as to the suitability of income derived from e-commerce that should be taxed for each jurisdiction identified (i.e. Germany, France, Australia and Malaysia) based on their legal authority to tax transaction according to the laws applied in each jurisdiction for the tangible product purchased via the internet (in this case: book). The results indicate that Germany was chosen to be the most preferred jurisdiction to have the tax liability with a mean of 4.78, and followed by France which shows a mean of 4.08, which was ranked second jurisdiction to have legal rights to taxing e-commerce business. Malaysia, however, is chosen as third place, while Australia was ranked as the last preferred jurisdiction that has the right to claim the tax liability with the mean of 3.58 and 3.47, respectively.

However, when the product purchased was changed to music (produced in Malaysia), which is downloaded directly from the homepage, the subjects perceived differently compared to the physical oriented commercial product. About 72.8% of the respondents with a mean result of 5.02 agreed that intangible product (music) purchased electronically should be subject to Malaysian tax as the profits is a source in Malaysia. Additionally, France with mean of 4.22 was ranked second. Further, slightly more than half (54.2%) agreed that France (the place where the server is located and having performed a complete business cycle in France) should therefore have the liberty to tax the profits. In contrast, with a mean score result of   3.67 and nearly half (46.55%) of the subjects did not agree that Australia (place of mirror server) should impose the tax liability although permanent establishment is in Australia.

4.3 Hypothesis Testing

Table 3 to Table 6 presents the results of the association between subjects' attitudes towards e-commerce and internet tax with their occupation in regards to the tax problems and tax rights based on the jurisdictions identified in the scenarios. Each scenario was supported by a statement that identified the legal rights of each jurisdiction; namely Germany (place of incorporation), France (place of server located), Australia (place of mirror server), and Malaysia (place of contract concluded).

4.3.1 Analysis of Results for $H_0$1- Attitudes of E-Commerce and Occupations

The findings indicate that the attitudes relating to e-commerce and Internet tax are not affected by the subjects' occupation in respect of the potential tax problem identify (Table 3). Therefore, the hypothesis is not rejected. Similarly, the results show that the attitudes relating to e-commerce and Internet tax are not affected by the subjects' occupation in respect of the tangible product purchased electronically. And as for an intangible product (music) which can be downloaded from the internet, the results are also not significant. Hence, the hypothesis is not rejected.

4.3.2 Analysis of Results for $H_0$2 - Attitudes of E-Commerce and Business Nature

The results of the subjects' opinions related to e-commerce and internet tax according to the respondents' business nature shows that the attitudes of the subjects relating to e-commerce and internet tax are not affected by the subjects' nature of business (Table 4). This is supported by a non-significant value, therefore, the hypothesis cannot be rejected.

The subjects' opinions on tangible products sold via internet with different tax rules and tax treaties were also solicited. The results show that the attitudes relating to e-commerce and internet tax are not affected by the subjects' business nature. Overall results show a non-significant level for all of the jurisdictions.

The attitudes of the subjects towards e-commerce and internet tax between subjects' business nature were also tested for intangible product. It was found that the results are non-significant. This indicates that there is no difference in the subjects' opinions towards the treatment of tangible and intangible products transacted via internet.

4.3.3 Analysis of Results for $H_0$3 and $H_0$4 - Attitudes of E-Commerce and Experience as Taxpayers and Tax Advisers

The findings reveal that the attitudes are not affected by the subjects' experiences either as taxpayers nor tax advisers. Evidence indicates a non-significant results for tax payers and for tax advisers in connection with double tax, tax free, tax avoidance, tax evasion, and tax administration (Table 5 and 6). Accordingly, hypothesis is not rejected which is also consistent with Davis and Chan (2000).

In addition, the subjects are also tested on their attitudes relating to e-commerce and internet tax for tangible and intangible product sold via internet. The subjects were given three sets of scenarios dealing with internet trading in multi-locations with different tax rules and tax treaties. Overall results indicate a non-significant value in connection with the multiple jurisdictions identified in the scenario. Relatively, the outcome shows that there is no significant difference in attitudes relating to e-commerce and internet tax in respect of tax payer and tax advisers experiences.

4.4 Discussion

This survey focused on the opinions of different groups of subjects who are knowledgeable with taxation. As regards to the potential tax problems in e-commerce taxation, overall, the subjects agree that e-commerce would pose potential tax problems and this is consistent with Davis and Chan (2000).

However, Davis and Chan (2000) found that tax avoidance is the most probable potential tax problem by internet trading whereas, this study reveals that tax administration is rated as the most probable potential tax problem posed by e-commerce. This is probably because at present, there is no guideline or ruling related to taxing of e-commerce business in Malaysia. As such, the subjects in Malaysia tend to feel that without a specific law and regulation relating to e-commerce, the administration vicinity would be difficult to manage. Most probably, the subjects also perceive that the collection of taxes by the tax authority from e-commerce business would be difficult.

It has been pointed that inefficient tax administration can be a potential problem for taxing e-commerce, and this should not be taken lightly as it could endanger viability of general sales tax (Mikesell, 2004). To top it all, the lack of technology change in the regulatory environment and the advancement of internet and the like, would slow down the viability of tax administration process. Therefore, it is important for tax administrators to keep abreast with the advancement of the internet. According to Mikesell (2004), taxing the internet is not administratively feasible which could result in mistreatment of the principles of sound tax policy. Tax experts perceive that inefficient tax administration would cost the government in terms of revenue loss and the impact is even greater for internet tax (Mikesell, 2004). Supporting this, Krupsky (2003) pointed that principles of taxation such as fairness, neutrality, efficiency, predictability, and avoidance of double taxation may be seriously eroded. As a result, there will be more open chances for tax avoidance and tax evasion.

The study also found that tax evasion is the next best potential tax problem posed by e-commerce. This is probably because the subjects figured that due to the lack of administration in terms of tax liability, the taxpayer would have higher opportunity to evade tax. Due to the higher chances of taxpayer transact their e-commerce beyond national frontier, taxpayer could evade from paying tax liability, which means the taxpayer could shop for a tax haven as a gate away resort. Double taxation is the next possible tax problem identified in the study. This is probably because the subjects believe that tax treaties would be a solution to double taxation problem, therefore, did not take the problem too seriously. However, tax avoidance is found to be the fourth possible tax problem. Unlike Davis and Chan (2000), tax avoidance was ranked as the first potential problem posed by e-commerce. Davis and Chan (2000) claimed that the potential for taxpayer to avoid taxes are greater as the physical location is unclear in e-commerce environment, therefore, creating opportunity for tax avoidance. However, in this study Malaysians perceived differently, probably due to the small number of companies venturing into e-commerce.

Further, this study also captures the subjects understanding of tax problems posed by e-commerce based on various scenarios. Majority of the subjects agree that Germany, as a place of incorporation, is liable to tax the income of a company since it is incorporated in Germany and considered to be resident. Consistent with the findings of Davis and Chan (2000), the place of incorporation was ranked highly as the legal authority to tax for tangible product sold via internet.

In addition, the subjects also agree that France (being the place where server is located) should have the right to tax the company. On the contrary, the subjects disagree as to country where the contract is concluded (in this case, Malaysia) and the country which hosted the homepage in a mirror server (in this case, Australia) to have the tax liability. This probably because the primary purpose of the mirror server in Australia is not trading, hence, the subjects do not consider Australia to be qualified to claim the existence of permanent establishment. Interestingly, the results show slight difference in opinion of the subjects in regards to intangible product purchased via the internet. The subjects agree that tax liability should come under the country where the product was produced (in this case, Malaysia) whereas in regards to tangible product the subjects generally disagree that the profits should be subject to Malaysian tax. Probably, the subjects figured that if the product is produced in Malaysia, it shows that the source of income is within Malaysia and not outside Malaysia, as such, Malaysia has the liability to charge the taxable income. However, the perceptions do not differ with regards to tangible or intangible products for France and Australia. The respondents agreed that the company should be subject to tax since the server was located in France, and Australia, where the mirror server is located, therefore should not have the right to tax income.

Overall results show that there is no significant difference in attitudes relating to e-commerce and internet tax by subjects occupation, business nature, and experience as taxpayer or tax adviser. Similar finding were found in Davis and Chan (2000) where overall results towards to the attitudes relating to internet tax by occupation, business nature and experience did not show significant results. Therefore, the findings show that the attitudes of the developing countries and Malaysian opinion towards internet tax in regards to potential problems are similar with that of other countries in the region namely, Hong Kong, Europe, North America, South America and some parts of Asia.

4.5 Conclusion

This study draws attention to the importance of taxing e-commerce transactions issue in Malaysia. Overall findings indicate that there is no significant difference in the opinions of subjects with regards to taxing tangible or intangible product. In addition, overall findings also reveal that occupation, nature of business and experiences do not influence the subjects' opinions towards e-commerce tax liability in regards to tax problem and legality of claiming taxes in various jurisdictions. Further, the study also shows that tax administration is the highest rank potential problem relating to e-commerce and that tax free is the least potential tax problem raised due to e-commerce transactions.

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Table 1. Demographics of Subjects

Demography	Category	No. of response	Percentage Distribution
Occupation	Tax professional	29	48.33
	Accounting professional	7	11.67
	Lecturer	12	20.00
	Government officer	7	11.67
	Others	5	8.33
	Total	60	100
Business nature	CPA firm	36	60.00
	Government tax office	7	11.67
	Educational institution	12	20.00

	Others	5	8.33
	Total	60	100
Experience	As taxpayer:		
	None	-	-
	1 to 5 years	8	15.69
	6 to 10 years	17	33.33
	11 to 15 years	9	17.65
	16 to 20 years	7	13.73
	Over 20 years	10	19.60
	Total	51	100
	As tax adviser:		
	None	-	-
	1 to 5 years	5	12.82
	6 to 10 years	13	33.33
	11 to 15 years	7	17.95
	16 to 20 years	3	7.69
	Over 20 years	11	28.21
	Total	39	100

Table 2. Responses to Potential Problems and Various Scenarios

	No. of responses (% of total responses)								
Questions: Likert Scale:	Strongly Disagree 1	Disagree 2	Slightly Disagree 3	Neutral 4	Slightly Agree 5	Agree 6	Strongly Agree 7	Mean	Std. Dev.
Tax problems: Double taxation	2 (3.39)	3 (5.08)	4 (6.78)	4 (6.78)	9 (15.25)	29 (49.16)	8 (13.56)	5.27	1.529
Tax free	2 (3.39)	8 (13.56)	2 (3.39)	4 (6.78)	11 (18.64)	20 (33.90)	12 (20.34)	5.07	1.780
Tax avoidance	1 (1.69)	3 (5.08)	3 (5.08)	9 (15.25)	10 (16.96)	23 (38.98)	10 (16.96)	5.25	1.457
Tax evasion	1 (1.69)	4 (6.78)	-	10 (16.95)	10 (16.95)	20 (33.90)	14 (23.73)	5.37	1.496
Tax administration	1 (1.69)	3 (5.09)	1 (1.69)	6 (10.18)	7 (11.86)	24 (40.68)	17 (28.81)	5.63	1.449

Scenario 1:									
Germany	2 (3.33)	10 (16.67)	4 (6.67)	8 (13.33)	7 (11.67)	17 (28.33)	12 (20.00)	4.78	1.878
France	4 (6.67)	13 (21.67)	6 (10.00)	8 (13.33)	14 (23.33)	10 (16.67)	5 (8.33)	4.08	1.807
Australia	7 (11.67)	15 (25.00)	6 (10.00)	16 (26.67)	9 (15.00)	5 (8.33)	2 (3.33)	3.47	1.641
Malaysia	10 (16.96)	13 (22.03)	9 (15.25)	7 (11.86)	5 (8.47)	10 (16.96)	5 (8.47)	3.58	1.993
Scenario 2:									
France	4 (6.79)	14 (23.73)	2 (3.39)	7 (11.86)	13 (22.03)	15 (25.42)	4 (6.78)	4.22	1.858
Australia	6 (10.34)	16 (27.59)	5 (8.62)	8 (13.79)	12 (20.69)	9 (15.52)	2 (3.45)	3.67	1.791
Malaysia	4 (6.78)	9 (15.25)	1 (1.70)	2 (3.39)	6 (10.17)	26 (44.07)	11 (18.64)	5.02	1.952

Table 3. Perceptions of Respondents according to Different Occupation

Problem & Scenarios	Variables	N	Mean rank	5% significant
Tax Problems:				
Double tax	Tax professional	29	29.02	0.928
	Accounting Professional	7	33.29	
	Lecturer	12	29.25	
	Government officer	7	29.07	
	Others	4	35.25	
Tax free	Tax professional	29	29.10	
	Accounting Professional	7	31.07	0.967
	Lecturer	12	31.63	
	Government officer	7	27.71	
	Others	4	33.75	
Tax avoidance	Tax professional	29	30.59	
	Accounting Professional	7	26.0	
	Lecturer	12	29.21	0.961
	Government officer	7	32.07	
	Others	4	31.50	

Tax evasion	Tax professional	29	28.47	
	Accounting Professional	7	24.07	0.671
	Lecturer	12	33.13	
	Government officer	7	34.93	
	Others	4	33.50	
Tax administration	Tax professional	29	28.53	0.624
	Accounting Professional	7	23.93	
	Lecturer	12	34.75	
	Government officer	7	33.93	
	Others	4	30.13	
Scenario 1: Tangible Product (Book)				
Germany	Tax professional	29	28.50	
	Accounting Professional	7	26.36	0.634
	Lecturer	12	31.25	
	Government officer	7	36.93	
	Others	5	37.10	
France	Tax professional	29	26.28	
	Accounting Professional	7	31.29	
	Lecturer	12	33.13	
	Government officer	7	34.57	
	Others	5	41.90	0.326
Australia	Tax professional	29	28.26	
	Accounting Professional	7	36.14	0.240
	Lecturer	12	26.54	
	Government officer	7	30.57	
	Others	5	45.00	
Malaysia	Tax professional	29	29.22	
	Accounting Professional	6	37.42	0.120
	Lecturer	12	36.67	
	Government officer	7	16.93	
	Others	5	27.90	
Scenario 2: Intangible Product (Music)				
France	Tax professional	29	27.72	0.511
	Accounting Professional	7	27.57	
	Lecturer	12	30.38	
	Government officer	6	33.50	
	Others	5	41.50	
Australia	Tax professional	28	28.63	
	Accounting Professional	7	28.36	0.518
	Lecturer	12	26.25	
	Government officer	6	31.50	
	Others	5	41.40	

Malaysia	Tax professional	28	27.95	
	Accounting Professional	7	30.79	0.756
	Lecturer	12	34.25	
	Government officer	7	33.21	
	Others	5	25.70	

Table 4. Perceptions of Respondents according to Business Nature

Problem & Scenarios	Variables	N	Mean	5% significant
Tax Problems:				
Double tax	CPA firm	36	29.85	0.923
	Government tax office	7	29.07	
	Education Institution	12	29.25	
	Others	4	35.25	
Tax free	CPA firm	36	29.92	0.970
	Government tax office	7	27.71	
	Education Institution	12	31.63	
	Others	4	29.88	
Tax avoidance	CPA firm	36	29.69	0.980
	Government tax office	7	32.07	
	Education Institution	12	29.21	
	Others	4	31.50	
Tax evasion	CPA firm	36	28.31	0.677
	Government tax office	7	34.93	
	Education Institution	12	33.13	
	Others	4	27.25	
Tax administration	CPA firm	36	28.07	0.546
	Government tax office	7	33.93	
	Education Institution	12	34.75	
	Others	4	26.25	
Scenario 1: Tangible Product (Book)				
Germany	CPA firm	36	28.46	
	Government tax office	7	36.93	0.619
	Education Institution	12	31.25	
	Others	5	34.40	
France	CPA firm	36	27.25	
	Government tax office	7	34.57	0.245
	Education Institution	12	33.13	
	Others	5	41.90	
Australia	CPA firm	36	29.79	
	Government tax office	7	30.57	0.231
	Education Institution	12	26.54	
	Others	5	45.00	

Malaysia	CPA firm Government tax office Education Institution Others	35 7 12 5	31.17 16.93 36.67 24.10	*0.079
Scenario 2: Intangible Product (Music)				
France	CPA firm Government tax office Education Institution Others	36 6 12 5	27.69 33.50 30.38 41.50	0.350
Australia	CPA firm Government tax office Education Institution Others	35 6 12 5	29.34 31.50 26.25 36.00	0.724
Malaysia	CPA firm Government tax office Education Institution Others	35 6 12 5	28.51 33.21 34.25 25.70	0.632

* significant at 10%

Table 5. Perceptions of Respondents according to Experience as a Taxpayer

Problem & Scenarios	Variables	N	Mean	5% significant
Tax Problems:				
Double tax	1-5 yrs	7	27.07	0.366
	6-10 yrs	17	27.38	
	11-15 yrs	9	20.17	
	16-20 yrs	7	19.50	
	> 20 yrs	10	30.20	
Tax free	1-5 yrs	7	30.71	0.694
	6-10 yrs	17	27.12	
	11-15 yrs	9	21.67	
	16-20 yrs	7	25.43	
	> 20 yrs	10	22.60	
Tax avoidance	1-5 yrs	7	21.29	0.239
	6-10 yrs	17	29.56	
	11-15 yrs	9	21.50	
	16-20 yrs	7	18.50	
	> 20 yrs	10	30.05	
Tax evasion	1-5 yrs	7	36.00	0.131
	6-10 yrs	17	25.32	
	11-15 yrs	9	17.33	
	16-20 yrs	7	23.64	
	> 20 yrs	10	27.10	

Tax administration	1-5 yrs	7	37.50	*0.068
	6-10 yrs	17	22.85	
	11-15 yrs	9	18.06	
	16-20 yrs	7	28.29	
	> 20 yrs	10	26.35	
Scenario 1: Tangible Product (Book)				
Germany	1-5 yrs	8	20.63	0.309
	6-10 yrs	17	21.91	
	11-15 yrs	9	29.39	
	16-20 yrs	7	30.79	
	> 20 yrs	10	30.85	
France	1-5 yrs	8	29.31	0.474
	6-10 yrs	17	26.12	
	11-15 yrs	9	18.44	
	16-20 yrs	7	30.57	
	> 20 yrs	10	26.75	
Australia	1-5 yrs	8	29.13	0.516
	6-10 yrs	17	27.79	
	11-15 yrs	9	20.78	
	16-20 yrs	7	30.57	
	> 20 yrs	10	21.95	
Malaysia	1-5 yrs	8	23.25	0.660
	6-10 yrs	17	27.59	
	11-15 yrs	9	26.81	
	16-20 yrs	7	29.07	
	> 20 yrs	10	20.20	
	Total			
Scenario 2: Intangible Product (Music)				
France	1-5 yrs	8	21.75	0.148
	6-10 yrs	17	29.74	
	11-15 yrs	9	17.44	
	16-20 yrs	7	33.50	
	> 20 yrs	10	25.50	
Australia	1-5 yrs	8	22.19	0.197
	6-10 yrs	17	30.65	
	11-15 yrs	8	17.75	
	16-20 yrs	7	29.79	
	> 20 yrs	10	22.60	
Malaysia	1-5 yrs	8	24.50	0.223
	6-10 yrs	17	22.15	
	11-15 yrs	9	28.31	
	16-20 yrs	7	20.14	
	> 20 yrs	10	33.50	

Table 6. Perceptions of Respondents according to Experience as Tax Adviser

Problem & Scenarios	Variables	N	Mean	5% significant
Tax Problems:				
Double tax	1-5 yrs	5	26.90	0.182
	6-10 yrs	13	14.85	
	11-15 yrs	7	18.71	
	16-20 yrs	3	24.50	
	> 20 yrs	11	22.55	
Tax free	1-5 yrs	5	21.40	0.854
	6-10 yrs	13	19.92	
	11-15 yrs	7	16.07	
	16-20 yrs	3	23.50	
	> 20 yrs	11	21.00	
Tax avoidance	1-5 yrs	5	18.90	0.632
	6-10 yrs	13	21.50	
	11-15 yrs	7	14.71	
	16-20 yrs	3	18.33	
	> 20 yrs	11	22.55	
Tax evasion	1-5 yrs	5	24.80	0.605
	6-10 yrs	13	19.85	
	11-15 yrs	7	16.14	
	16-20 yrs	3	15.00	
	> 20 yrs	11	21.82	
Tax administration	1-5 yrs	5	21.00	
	6-10 yrs	13	18.73	0.887
	11-15 yrs	7	19.00	
	16-20 yrs	3	16.83	
	> 20 yrs	11	22.55	
Scenario 1: Tangible Product (Book)				
Germany	1-5 yrs	5	19.40	0.902
	6-10 yrs	13	18.58	
	11-15 yrs	7	23.43	
	16-20 yrs	3	17.50	
	> 20 yrs	11	20.45	
France	1-5 yrs	5	18.60	0.787
	6-10 yrs	13	1.62	
	11-15 yrs	7	16.43	
	16-20 yrs	3	24.83	
	> 20 yrs	11	22.05	
Australia	1-5 yrs	5	21.60	0.816
	6-10 yrs	13	21.00	
	11-15 yrs	7	18.14	
	16-20 yrs	3	25.50	
	> 20 yrs	11	17.77	

Malaysia	1-5 yrs	5	20.10	0.966
	6-10 yrs	13	20.96	
	11-15 yrs	7	21.57	
	16-20 yrs	3	17.67	
	> 20 yrs	11	18.45	
Scenario 2: Intangible Product (Music)				
France	1-5 yrs	5	15.30	0.390
	6-10 yrs	13	23.38	
	11-15 yrs	7	14.57	
	16-20 yrs	3	22.67	
	> 20 yrs	11	19.05	
Australia	1-5 yrs	5	18.80	0.232
	6-10 yrs	13	23.62	
	11-15 yrs	7	16.79	
	16-20 yrs	3	26.00	
	> 20 yrs	11	14.45	
Malaysia	1-5 yrs	5	14.60	0.523
	6-10 yrs	13	18.88	
	11-15 yrs	7	19.50	
	16-20 yrs	3	18.50	
	> 20 yrs	11	24.50	