

Perceived Usefulness and the Acceptance of Tax E-Filing System: Malaysia and Nigeria Cases

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Abstract: *In facing the globalization, taxation system has now been computerised with the help of Information, Communication and Technology (ICT). For that reason, governments in many countries have invested a huge sum of money in developing a tax system to be used by its citizens such as a tax e-filing system. Therefore, it is desirable to achieve high acceptance rate of the system. Though there are many factors that may affect the intention to adopt such system, this paper tries to understand how and why perceived usefulness affects the acceptance of tax e-filing in Malaysia and Nigeria differ. Using survey questionnaire method, this study found that the effect of perceived usefulness is contradicting for Malaysia and Nigeria. It is found that perceived usefulness is significant for the case of Malaysia but not significant in the case of Nigeria. Understanding why results differ may assist governments in exploring the opportunities to increase the tax e-filing acceptance rates in both countries. This paper discussed probable situations that lead to the difference results on the effect of perceived usefulness towards the acceptance of tax e-filing and suggest some strategies.*

Keywords: Tax e-filing, e-Government, Perceived usefulness, System acceptance

1. INTRODUCTION

These days Information and Communication technology (ICT) has become one of the crucial feature and this has changed the way and manner in which citizens interact with their government, bringing an innovative development to them. Governments round the globe have been expanding the utilization of ICT in order to improve efficiency and effectiveness. This system of governance is referred to as "e-government" (Bertot, Jaeger, Gorham, Greene, & Lincoln, 2012). Unfortunately, not all governments are successful in implementing the e-government.

Tax e-filing system is part of the e-government services in many countries. There are numerous advantages offered by tax e-filing services, such as easy information searching, speedy filing, minimal processing errors, fast and direct deposit refunds, elimination of delays and the uncertainty of tax filing and return by postal mail (Ibrahim & Pope, 2011). The tax return forms can be filed by taxpayers electronically at

any time from any location. The users can get assistance to fill, compute and file their tax return forms electronically.

Tax e-filing in Nigeria was just launched in 2015 and there is no available report that publishes the acceptance rate of tax e-filing user. While for Malaysia, tax e-filing has been in used since 2001 for corporate taxpayers and 2006 for individual taxpayers. Even though, the user acceptance of tax e-filing in Malaysia is still considered low (Ibrahim & Pope, 2011; Aziz & Idris 2012). There could be many factors that contribute to this situation for Malaysia and Nigeria given the different background of both countries. Nonetheless, the purpose of this study is to investigate whether social influence has a significant effect for Malaysia and Nigeria taxpayers in increasing the acceptance rate of tax e-filing system.

Gilbert, Balestrini, Littleboy (2004), in their study show that the barriers to e-government adoption outweigh the benefits. They also concluded that if these obstacles are not

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properly addressed, the adoption rate will not be likely to increase. According to Pikkarainen, Karjaluoto and Pahnla (2004), if the benefits of the system have not been fully utilized, it does not justify the huge investment made by the government. This means that it is fundamental to study the effect of social influence on the acceptance of tax e-filing.

Following the introduction section, a review of literature on tax e-filing and social influence is discussed. This is followed by the research methodology and results sections. Finally, discussion and conclusion for the study is presented.

2. LITERATURE REVIEW

This section is divided into three sub-sections. The first sub-section presents general overview of tax e-filing. This is followed by a review on tax-e-filing researches and finally discussion on social influence is presented.

1.2 Overview of Tax E-Filing

E-filing may be described as form of e-government initiatives been implemented worldwide. It is one of the services provided by the government for the citizen (G2C) or to the business (G2B). In order to vividly understand this aspect, there is need to explain what e-government means. E-government may be described as the administration and management of government services electronically. E-government is a copious variety of IT capacities, competencies, and organizational, administrative practice spanning both business to business and business to consumer activities (Deakins & Dillon, 2007). E-filing is a major part of e-government provided by the government. The tax e-filing system was first introduced long ago in the US during the 1986 year of assessment with sole aim of improving efficiency in the processing of tax returns. The target of its introduction is to benefit the tax administrator (Carter & Schaupp, 2008).

Based on the successful experience of USA adoption and implementation of e-filing system many other countries in the world has introduced e-filing into their governance system. Australia successfully launched its e-filing system in the year 1991 and released the system for public use nationally in the year 1997 with the target to make sure that 95% of

the taxpayers adopt the system (Australian Taxation Office, 2010). In Singapore, tax e-filing system was introduced around the same time with Australia and its' system was made available for public use nationwide in the year 1999. The quest to introduce the system of tax e-filing in the UK was part of the agenda of the government to modernize its public services in the year 1998 and this was announced in 1999 by the then Chancellor of Exchequer that the public will be able to submit their tax returns through an e-filing system and that it was part of the commitment of government to electronic services (Tuner & Apelt, 2004; Lymer, Hansford, & Pilkington, 2012).

Malaysia is a country that is not left out of technological development and advancement in its governance, its introduction of her e-filing system was done in a gradual process. This system was introduced to companies in the year 2001 and released officially for personal income taxpayers in the year 2006. E-filing system stands out amongst the utmost essential and propelled e-government driven initiatives in Malaysia, giving comfort to the taxpayers in filing and paying their tax return. The Inland Revenue Board Malaysia (IRB) has spent a considerable amount of cash and assets to build up tax e-filing system for the use of authority and the taxpayers in Malaysia (Azmi & Kamarulzaman, 2010).

Tax e-filing system was put in place by the South Africa Revenue Service (SARS) in 2001 to provide for the filing of Value Added Tax (VAT) and other provision income tax return which were been submitted through the third party. This was not a success because of the monetary value associated with filing of taxes through an agent. Due to this, in 2002 SARS abandoned the role of an agent and allowed taxpayers to file directly to them. Tax e-filing was held out to all other taxes which includes PAYE, (Pay As You Earn), standard tax on companies, development level tax etc. Since this period, SARS has taken in more than 90% of its PAYE through the tax e-filing system (African Development Bank, 2010).

Tax e-filing system was introduced in Kenya in 2009 and took about three years before taxpayers finally accepted it due to the problem of delay in processing speed of tax e-filing website (KPMG Africa, 2016).

2.2 The Acceptance of Tax E-Filing

Intention to adopt tax e-filing system can be influenced by the way taxpayers perceives how the system will be. Perception may be described as the capability to understand and comprehend a particular technology. In this case perception can also mean what people think about technology introduction. Technology introduction are said to intensify the effectiveness and efficiency of the old system. Before the unveiling of an e-filing scheme, all taxpayers used a manual system of lodging their tax return. Based on the voluntariness of adopting the e-filing system. perception come in, people have to recollect whether it will be of benefit to them or not before taking the system. The issue of usefulness, ease of use, security, confidentiality and efficiency of a system also affect the perception of people (Davis, 1989).

In a study by Geetha and Sekar, (2012), where satisfaction level of individual about e-filing were examined, the results showed that 89% of the individual respondents are highly satisfied with the procedure of e-filing system and they ranked it as the first and followed by safety, 61% of the respondents also believed that e-filing is safe and that they are satisfied with the system. It can be deduced from the above that many of the taxpayers have good perception of tax e-filing system and are satisfied about it. Though, these results cannot be generalized because of the factors that determine taxpayers' utilization of the tax e-filing system in a particular region. Therefore, the satisfaction of taxpayers about tax e-filing system will tend to increase the acceptance rate in the area studied.

In India, e-filing has been witnessing significant acceptance since its first appearance in the year 2008 and the acceptance tends to increase on an annual base. The increase in adoption is as a result of the taxpayers' perception of the benefit derived from tax e-filing system over the use of the manual filing. This is subjected to the behavioural intention of e-filers which are affected by the PU and the PEOU and other factors which may influence individuals' acceptance and use of a technology (Haryani, Motwani, & Matharu, 2015).

Taxpayers' adoption of e-filing system varies among different age group, educational level

and experience. The educational level of taxpayers might influence their attitudes towards e-filing because of their exposure and high level educational background. This is proved by Ilias, Abd Razak and Yasoa (2010) in their study where they found that differences exist between the experienced and non-experienced taxpayers to handle e-filing and that the level of taxpayers' education due influences his attitude towards e-filing. Based on the above explanation it can be deduced that acceptance of tax e-filing system depends on varying factors which can be internal (e.g. PU, PEOU and Readiness propensities) or external (e.g. Social influence and facilitating condition). Internal are the ones that is personal in nature while external are factors are posit by the government as a result introducing the system.

2.3 Perceived Usefulness and the Acceptance of Tax E-Filing

Perceived usefulness may be described as the degree at which the user believes that the use of a particular system will support his work" (Davis, 1989). In this research work, PU denotes the perception of tax payers on the usefulness of using an electronic system of paying taxes (e-filing). Perceived usefulness has been empirically verified by researchers on the adoption of new technology. These empirical research were done by Mustapha (2013); Mamta (2012); Othman (2011); Ozgen & Turan (2007) and so on.

Perceived usefulness has also been examined in relation to the ability of the system to increase performance, productivity, and effectiveness. The studies found that perceived usefulness is a significant determining factor of intention to use a particular system. The significance of PU has been well discussed in different fields. It has also been gathered in the previous studies that perceived usefulness has a direct effect on behavioural intention to utilize internet shopping, real-time training on the web, internet banking, e-commerce, and electronic government services like e-filing (Ashoori, Noorhosseini, & Alishiri, 2015; Ibrahim, 2012; Mustapha, 2013). E-filing system has been introduced by FIRS to reduce the taxpayers' effort that is needed for the manual process of tax filing.

PU is found in many studies as the primary determinant toward behavioural intention

(Davis, 1989; Venkatesh, Morris & Davis, 2003 and Schaupp & Carter., 2009). It is the main driver for behavioural intention (Fu, Farn and Chao, 2006). Most of the prior studies use the PU as independent variable to explain the behavioural intention (Venkatesh et al., 2003; Carter & Scauppp, 2008, Schaupp & Carter, 2009; Ozgen & Turan, 2007).

According to the past literature, PU always have positive significant results (Wang, 2003; Venkatesh et al., 2003; Ozgen and Turan, 2007; Ludwig et al., 2009; Charter and Schaupp, 2009; Carter et al., 2011, Mamta, 2012). However, it is found that fewer studies have non-significant results on PU (Wu and Chen, 2005). It is the study conducted in Taiwan which have reveal that only attitude and Perceived Behavioural Control (PBC) are significantly influenced the behavioural intention to use e-filing. The PE is non-significant in determining the e-filing behavioural intention among taxpayers in Taiwan during that time.

In conclusion, since majority of studies found PU has a significant positive effect on behavioural intention, the hypothesis below is developed:

H1: There is a positive relationship between perceived usefulness and taxpayers' acceptance of tax e-filing system.

3. METHODOLOGY

Self-administered questionnaire survey was utilised for this study for both countries.

3.1 Population and sample

The population for this study is the individual taxpayers in Sarawak State for Malaysia and in Lagos State for Nigeria. Individual taxpayers were the target for this study as majority of them files their tax on their own as compared to corporate taxpayers as majority of them utilising tax professional services. It is

important to get feedback from those who use the system themselves to understand their perceptions towards the system.

Random sampling method was used to select respondents to represent taxpayers from both countries. For Malaysia, the sample size is 630 respondents, i.e., a 64% increase from the recommended size. The additional number of respondents is to cover the non-response rate as experienced by previous studies. The number of samples is chosen based on the recommendation by Krejcie & Morgan (1970).

3.2 Measurement of Variables and Data Analysis

Tax e-filing intention as the dependant variable in this study is referred to the individual taxpayers usage behaviour to accept or reject the tax e-filing system. 5-point Likert Scale from Strongly Disagree (1) to Strongly Agree (5) is used to investigate the respondents' perception towards four items of behavioural intention which was adapted from Venkatesh et al. (2003).

Perceived Usefulness is measured using the same scale as tax e-filing behavioural intention above, which is, using 5-point Likert Scale from Strongly Disagree (1) to Strongly Agree (5). Six items were adapted from Venkatesh et al. (2003) for measurement of PU.

Both studies in Malaysia and Nigeria have undergone the pilot test and reliability tests and met the requirements as outline by Hair, Black, Babin, Anderson and Tatham (2010). Data collected were analysed via descriptive and regression analyses using SPSS software.

4. RESULTS

Response rate for Malaysia was 63% (397) and for Nigeria was 70% (175). The responses were enough for data analysis purposes as suggested by Hair et al. (2010). The respondents profile is depicted in Table 1.

Table 1. Profile of Respondents.

Item	Malaysia (n=397)	Nigeria (n=175)
Gender		
Male	187 (47%)	98 (56%)
Female	210 (53%)	77 (44%)
Marital Status		
Single	131 (33%)	44 (25%)
Married	264 (65%)	131 (75%)
Others	2 (1%)	0 (0%)
Age		
Below 24 years	26 (6%)	4 (2%)
25 - 34 years	178 (45%)	47 (27%)
35 - 44 years	82 (21%)	73 (42%)
45 - 54 years	85 (21%)	41 (23%)
55 years and above	26 (6%)	10 (6%)
Qualification		
SPM and below	72 (18%)	-
STPM/Diploma	142 (36%)	28 (16%)
B.Sc/Masters/PhD	176 (44%)	54 (31%)
Professional qualification/Others	7 (2%)	93 (53%)

Descriptive statistics of minimum, maximum, mean and standard deviation for behavioural intention and PU for Malaysia and Nigeria is shown in Table 2. Mean results for all variables both for Malaysia and Nigeria indicated above 3 which mean majority respondents strongly agree of the intention to use tax e-filing system and usefulness of the system.

Results for regression analysis for PU and behavioural intention are presented in Table 3. The regression results for Malaysia and Nigeria however, indicated that only Malaysia has a positive significant relationship between PU and intention to use tax e-filing. Meanwhile, the result indicates a statistically non-significant result for Nigeria.

Table 2. Results for Descriptive Statistics.

Items	Min	Max	Mean	SD
Behavioural Intention – Malaysia (n=397)	1	5	4.22	0.847
Behavioural Intention – Nigeria (n=175)	1	5	4.55	0.459
Perceived Usefulness – Malaysia (n=397)	1	5	3.73	0.579
Perceived Usefulness – Nigeria (n=175)	1	5	4.44	0.369

5. DISCUSSION AND CONCLUSION

Previous studies have shown that PU has a significant positive influence on the behavioural intention (e.g., Dwyer & Knapp, 2004; Fu, Farn and Chao (2006) and Carter, Schaupp, Hobbs, and Campbell (2011)). This indicates that the number of taxpayers who use e-filing can be increased by increasing the “performance expectancy” of the tax e-filing system to submit their tax return forms. PU is believed to be the strongest predictor for usage behaviour when more individuals believe the technology could improve their job performance (Venkatesh et al., 2003). The same pattern of prediction would be apply in Malaysia but not for Nigeria.

Among the reasons for the different result for Malaysia and Nigeria on PU might be due to

the timeliness of the system being in use. As for Malaysia, it is being in use for more than 10 years which indicate the experienced system and users/taxpayers in using the system. The taxpayers have trusted the system and the anxiety of using the system probably have been reduced. As compared to Nigeria, the system is just introduced for less than three years. The system probably still need improvements to suit better the Nigerian context. Moreover, the Nigerian probably is not fully ready in accepting the new change given the security and infrastructure issues.

The International e-Government ranking survey for 2016 indicates that Malaysia is ranked at number 60 out of 193 countries with E-Government Development Index (EGDI) score of 0.6175 while Nigeria is ranked at number 143 with the EGDI score of only 0.3291 (United

Nations, 2016). While the score for Nigeria is below the world average of about 0.5, the score for Malaysia is also alarming as the e-government has started about 2 decades ago in 1997. The scores indicate that the e-government in Malaysia and Nigeria need to be improved. However, it can also reflect the non-stability of e-government more in Nigeria

as compared to Malaysia. Therefore, it is suggested that Nigeria to work harder in improving its facilities and infrastructure for e-government in order to increase the acceptance rate. Malaysia also need to increase its EGDl score if e-government such as tax e-filing to be relevant all the time.

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