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SWOT Analysis of Indirect Tax System: From the Perspectives of the Lower Income Group in Malaysia

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ABSTRACT

As the only country that reverted from the Goods and Services Tax (GST) to the Sales and Services Tax (SST), Malaysia is circling around a strong rumor that the GST may be re-introduced to the country. Nonetheless, both SST and GST are deemed regressive since they can affect the household consumption expenditures of certain income groups, especially the lower-income group, which may be imposed with a heavier burden than the higher-income group. Hence, this study aims to gain the perceptions of the lower income group to assess their acceptance level towards SST 2.0. In addition, using a quadrant analysis, the study also evaluates what is still lacking in the Malaysian indirect tax system, which requires urgent attention from policymakers. Data were gathered using questionnaires disseminated to the lower income group or Bottom 40 with a household income below RM4,849 and the samples were selected using purposive sampling. A total of 236 usable questionnaires were collected and the quadrant analysis was employed to analyze the data. Overall, the results showed that Malaysia's indirect tax system is still lacking in terms of public trust in the government, certainty, simplicity, appropriate government revenue, and the effectiveness of tax administration. Drawing from the findings of this study, policymakers can continuously mitigate the public burden by exempting or including more necessities (food) from the consumption tax, and the public should embrace the consumption tax if this could reduce their financial burden in the long run. In addition, it is important that the taxpayers feel assured that the taxes they pay using their hard-earned money are well managed in order to provide quality services to all citizens of Malaysia, especially during uncertain times due to the COVID-19 pandemic and other crises. Tax administrators could also develop adequate approaches to elicit a high public acceptance level by comprehending the good tax policy-public behavior association. In essence, the current study has significantly expanded the body of knowledge on indirect tax acceptance with novel techniques in the methodology section and additional insights into the factors impacting tax acceptance, particularly in indirect taxation.

HIGHLIGHTS

⊙ This paper is devoted to studying the indirect tax system in Malaysia which is Sales and Services Tax (SST) from perspectives of the lower income group in Malaysia regarding on their opinion. In the course of the study, the factor such as the equity and fairness, neutrality, certainty, simplicity, effectiveness of tax administration, transparency and visibility, trust and tax knowledge will be examined.

Tax revenues play a vital role in elevating governments around the world, especially in developing economies; therefore, sufficient tax revenues are necessary to finance spending on health care, education, and infrastructure—all of which are prerequisites for economic growth and development. However, what really matters is not merely the revenue ratio but also the quality of the revenue system itself, especially in delivering fair and efficient outcomes. In other words, the tax revenue system should be designed in such a way that allows for the fostering of sustainable economic and social development as well as broad public support. In this regard, it is pivotal that governments, especially the Malaysian government, consider the elements of predictability, stability, and reliability in designing a tax system to generate the desired revenue (AICPA, 2017). Additionally, the government must also incorporate a versatile tax system to achieve the targeted revenue whilst including factors that relate to public circumstances, and the tax system should be periodically reviewed as or when needed to ascertain its relevancy to the current situation.

Tax laws, which are changing constantly at all levels including the federal, state, and local levels, have been affecting taxpayers at large (Fiore, 2002). While some of these changes are minor (e.g., changing a rate or adding a deduction) and some situations may involve major substantive changes (e.g., changing from an income tax to a consumption tax or taxing online transactions), any suggestion for modifying tax rules raises the question of how to compare the proposed changes to either existing rules or other possible alternatives. Generally, taxation sources can be categorized into three types: taxes on income, consumption, and wealth. While these three types of taxes have their strengths and weaknesses, none was confirmed as the "best" tax although past studies have argued otherwise (Nicholas, 2005). Nonetheless, such arguments may encompass healthy public discourse when they are based on commonly accepted principles, characteristics, or criteria for evaluating what makes a tax bad or good (Nicholas, 2005). Nicholas (2005) further highlighted five interrelated principles for creating a "good tax," namely fairness, simplicity, neutrality, administrability, and sufficiency, which can be applied to evaluate the tax system, especially

when the changes in the tax rules affect the public (Mohd Jamel, Abd Hamid, & Zawawi, 2021).

In Malaysia, the indirect tax system has undergone drastic reformations from the Sales Tax 1972 and Service Tax 1975 (SST 1.0) to the Goods and Services Tax (GST) in 2015, and back again to SST 2.0 in 2018. Surprisingly, Malaysia is the only country that reverted from the Goods and Services Tax (GST) to the Sales and Services Tax (SST) after only three years. Initially, SST 1.0 was proven to be ineffective as a result of inequitable tax collection due to inefficient bookkeeping by businesses other than the adherence-oriented burdens imposed on businesses (Santhariah, 2020). The government contended that such taxes are costlier for consumers following the SST 1.0 tax-on-tax effect on goods and services. Therefore, the implementation of GST to generate revenues that are higher than SST 1.0 would not be revenue-neutral in examining the reasons underpinning GST failure in Malaysia (Narayanan, 2018). Besides, the increased revenue collection has also shown that GST affected the general price level and burdened consumers, especially as the price hike took place due to limitations in basic imported food items such as onions, chilies, and potatoes. The situation was further aggravated by delayed input tax claim refunds (Narayanan, 2018), and affected companies transferred the incurred costs to consumers by increasing the prices of goods and services. Due to the abolishment of GST, Malaysia incurred an annual revenue loss of RM20 billion; however, the reintroduction of SST 2.0 did not contribute as much to the government and SST 2.0 was no different from SST 1.0. In fact, both were disappointing due to their susceptibility towards high tax evasion levels among business communities (Sanusi et al., 2015) and cascading impacts, which caused manufacturers to be re-taxed (tax-on-tax effect) at subsequent manufacturing stages and led to an increase in the prices of goods and services. Consequently, a month after SST 2.0 implementation, the public began complaining about the rising prices of goods and services (Bernama, 2018). Moreover, the public may also resent the government's tax increment due to the burden imposed on them. As reported by the Department of Statistics Malaysia (DOSM), most households experienced a decline in income in 2021 due to the Covid-19 pandemic. As a result, many members from the Top 20 (T20) and

Middle 40 (M40) groups became Bottom (B40), thus increasing the percentage of B40 households. Since the B40 spend almost three-quarters of their income on necessities, they would be adversely impacted by the higher tax rates embedded within the prices of goods and services.

The current study finds it necessary to investigate what is lacking in the current indirect tax system in Malaysia from the public perspective because these unresolved problems could instigate another tragic public rejection and impact the government's revenue collection. Thus, it is important that the perceptions of the indirect tax system be based on whether the current tax policy is in accordance with the guiding principles of good tax policy. Furthermore, the current study also seeks public opinion related to trust in the governing bodies as well as the tax knowledge of the current indirect tax system in Malaysia. In view of the strong rumor that the Goods and Services Tax (GST) may be re-introduced to the country, the findings will also provide an insight into the strengths and weaknesses of the existing indirect tax policy in Malaysia, which may affect the household expenditure of lower-income groups due to the increase in their cost of living. Ultimately, the study justifies the policymakers' urgent attention to rectify the current problem and implement necessary improvement should a new indirect tax policy is implemented in the future.

LITERATURE REVIEW

Taxation is one of the important elements in managing national income, especially in developed countries and has played an important role in civilized societies since their birth thousands of years ago (Lymer and Oats, 2009: 1). Tax is defined as 'a compulsory levy, imposed by government or other tax-raising body, on income, expenditure, or capital assets, for which the taxpayer receives nothing specific in return' (Lymer and 2 Oats, 2009: 3). Taxes are the main source of income for most governments of countries in the world whether developed or developing countries. The source of income from this tax is used to administer the country and to be reallocated into the economy through the development of projects or assistance to society and citizens. In Malaysia, there are two types of taxes being imposed which are direct taxes collected by the Inland Revenue Board (IRB) and indirect taxes collected by the Royal Malaysian Custom Department (RMCD).69580

The current worldwide trend is shifting from direct tax to indirect tax and the focus is on decreasing direct tax rates and increasing indirect tax rates. The Malaysian Government is anticipating an improvement in tax revenue collection by having a focus shift from taxing employment and business activity, to taxing consumption. Indirect tax will be an important area of tax policy to monitor in the coming years. This is also aligned with the Organization for Economic Co-operation and Development's (OECD) recommendation to reintroduce goods and services tax (GST) as part of the country's medium-term fiscal strategy.

It is deemed vital to implement indirect tax for economic development. Brauner and Stewart (2013) asserted that tax reforms would facilitate national revenue collection for development project funding. Optimal tax reforms would also minimize poverty rates and improvise tax laws that encourage FDI and import and export transactions in local settings. Regardless, citizens need to bear part of the tax burden when the government imposed an indirect tax on local consumption to sustain tax revenues. The government is required to ensure holistic indirect tax laws that are enforced by well-trained administrations and acknowledged by the public to guarantee the success of indirect tax (Brauner & Stewart, 2013). Public acceptance of new taxation may not be easily forthcoming. Kirchler (1997) conceded the rationale of rejecting new taxes from a psychological viewpoint given their implications, such as higher contributions to tax authorities. Kirchler went on to present personal value orientations involving selfishness, attitude, reliance, and age, which could impact public tax acceptance. The public depicts high anticipations of what should be received in return for their tax contributions. Darmayanti (2015) revealed that collection system, tax awareness, tax collection efficiency, precision level in filing tax submission, and facility-based satisfaction to justify public land and building tax acceptance. Nilsson, Schuitema, Bergstad, Martinsson, and Thorson's (2016) Swedish study on the Gothenburg congestion tax acceptance investigated distinct public acceptance levels pre- and post-congestion tax. Based on

the study outcomes, public attitudes and beliefs turned positive following the implementation. Public acceptance requires due consideration to implement indirect tax (Nilsson *et al.* 2016). Nilsson *et al.* (2016), Hårsman and Quigley (2010), and Schuitema, Steg and Forward (2010) proposed that public acceptance would increase post-tax implementation. It is deemed pivotal to comprehend the underpinning factors and improve public acceptance of sustainable tax implementation. In elaborating on the key determinants of low indirect tax acceptance, Lamberton, De Neve and Norton (2018) implied that the public observed the government benefits in return for the gathered tax to be unworthy. Tax payment is also perceived as a poor investment with tendencies for public rejection following the viewpoints of under-provided benefits. Low acceptance also occurs when the public could not assert their preferences on tax implementation and spending patterns.

In Malaysia, the indirect tax reform from SST 1.0 to GST failed owing to low public acceptance (Wong & Kee, 2018; Talib & Khalid *et al.* 2018; Pratama & Pratiwi, 2022; Olweny, 2022). Malaysians are not entirely persuaded by the tax scheme despite the rising GST popularity and success worldwide. The zero-rated GST was substituted by SST 2.0 as of 1 September 2018. According to the former Finance Minister, Lim Guan Eng, the public would possess more purchasing power as the SST 2.0 only taxes a total of 6,400 goods compared to 11,197 counterparts under GST (Carvalho & Rahim, 2018). Furthermore, goods prices would be regulated to control price hikes as opposed to GST. The public would enjoy more affordable F&B prices as the threshold for providers is fixed at an annual RM1 million turnover (General Guide Service Tax, 2018). The SST 2.0 is an efficient tax system that could mitigate public burdens (Choong Kwai Fatt, 2018). No sales tax is imposed on suppliers as taxation only occurs once on the manufacturing business during a sale to the trading company (RMCD, 2018b). As such, the general public should be able to purchase lower-priced goods through SST 2.0. The possibility of SST 2.0 incorporating the same mechanism as in SST 1.0 (Gek, 2018), such as the tax-on-tax effect, continues to concern citizens in general (M.A.T.A, 2015). Following Grinberg (2006), some goods are double-taxed as businesses pay sales tax on the

goods purchased as inputs. Such inputs are re-taxed during the sale of the final goods. The sales tax effects rely on business cost and margin (mark-up price) through the supply chain prior to reaching end consumers (Othman *et al.* 2017) given its 'creeping' effect on goods prices were registered businesses claim paid taxes by increasing the product cost amount following the SST 1.0 drawbacks (Zhou *et al.* 2013). Resultantly, consumers are compelled to pay higher prices (Berita Harian, 2018). The public began complaining about the rising prices of goods and services a month after SST 2.0 implementation (Bernama, 2018).

Previous empirical findings also revealed on the level of understanding and awareness among Malaysians on the previous GST was generally low (Harun, Hamid, Yahya, Ahmad, & Ismail, 2017; Noormahayu *et al.* 2015; Ahmad, Ismail, & Abdul, 2016; Shamsuddin *et al.* 2014). The negative perception of consumers towards the implementation of GST was due to a lack of information on the goods or services exempted from the GST, and the impact of price inflation (Bidin & Marimuthu, 2016; Ling, Osman, Arman Hadi *et al.* 2016). In addition, the reimplementation of SST 2.0 to replace the GST was also not really welcomed by the Malaysians. They believed that, tax is a burdensome and most of the public did not understand what is the benefits of tax. A study done by Mohd Rizal Palil (2011) suggested that tax knowledge is important to enhance the compliance among taxpayers. Trust in government is another crucial factor that will increases taxpayer perceptions of government justice and thus, influences the taxpayer compliance. Trust is formed before justice, and taxpayers evaluate whether this system is fair or not through the trust they have in government. To gain public trust concerning the application of indirect tax, the tax authorities such as the Ministry of Domestic Trade and Consumers Affairs and the Royal Malaysian Customs Department must be seen efficient to handle the tax. The tax system must be transparent enough in order to gain the acceptance of the Malaysians. The source revenue of the tax and its subsequent spending should be tabulated in details so that the public know how the government is managing the tax revenues. When the trust in tax authorities is established, the public will and can start to accept the indirect tax implementation

as they know that the public monies are handled wisely. Moreover, tax knowledge is also vital. Public should have a knowledge and understanding of tax regulations, due to meet tax obligations, taxpayers need to know about taxes in advance. Without their knowledge and understanding of the tax rules, the public may not want to pay taxes. With their understanding of tax good, the public will better understand the importance of paying taxes, and what benefits can be felt directly and indirectly. With the knowledge and understanding of tax rules, the people will be openminded, that taxes are purely used for the needs of the nation and its people. With this understanding of the tax, the level of corruption and fraud that may occur can be minimized. Simultaneously, the level of compliance of taxpayers to pay taxes will increase. Tax knowledge is also important from the perspective of indirect tax as public aware on the portion that tax levied on them when they consumed goods or services.

The weaknesses highlighting in the past studies about Malaysian indirect tax is more on its regressivity which is deviate from what suggested from the guiding principles of good tax policy. The research outcome from a study by James (2015) showed that consumption tax such as the GST could lead to regressivity where the same tax rate applies to all household regardless of their income levels. GST seems benefit to the producer where the manufacturers deemed that GST mitigated their production costs and on contrary, SST adversely impacted the production costs (Syeddin *et al.* 2021). However, from the households' perspective, they anticipated that indirect tax policy changes would impact their household expenditure and living expenses. The following section presents the guiding principles of good tax policy which should be underlying the tax system either direct or indirect tax policy.

Equity and Fairness

Equity and fairness denote an entity (AICPA, 2017) with multiple researchers asserting the association of fairness with equity (Azmi & Perumal, 2008; Saad, 2011). A tax system is deemed fair when individuals receive government-provided benefits that are equitable to the collected tax (Mohamed, 2016; Pressman, 2018). Notably, equity and fairness could be vertical or exchange equity and fairness.

Indirect tax is regressive in nature (Abdul Kadir *et al.* 2016) given the exact tax rate imposed across all income categories. Consequently, the government withdrew the sales and service tax on essential goods and services to resolve this regressivity. Public tax fairness perceptions could be impacted or judged by government spending policies, such as building hospitals, public schools, free motorways, or allotting price subsidies as the government has gathered revenue through SST 2.0 implementation (Mohamed, 2016). Citizens should receive the benefit in reciprocation for what has been paid (Riese, 2017). Adamu, Tesfaye, Dereje, Antony and Alexandru-Mircea (2017) who assessed the consumption behaviour of Nekemte Town households revealed that indirect tax implementation proves more successful with a low-income tax rate. Although the local economy has performed relatively well across most economic and social metrics, the critical gaps outlined by vulnerable segments in society (B40 and M40 households) must be bridged. The equity and fairness element prove crucial to influencing public SST 2.0 implementation acceptance. For example, the government should priorities policies to ensure a robust economic performance for optimal outcomes across all social segments. This gap could widen and perpetuate unfavorable outcomes, such as discontent and incongruencies involving disproportionate wealth if citizens' perceptions of equity and fairness across various households are left unacknowledged. Hypothesis 1 (H1) was proposed to assess the relationship between equity and fairness and public SST 2.0 acceptance as follows:

Appropriate government revenue

The government should take into consideration the elements of predictability, stability, and reliability in designing a tax system that can generate the desired revenue (AICPA, 2017). It is deemed pivotal for the government to incorporate a versatile tax system to achieve the targeted revenue while taking into account factors that relate to public circumstances. The tax system should be periodically reviewed or as and when needed to ascertain its relevancy to current situation. The retraction from GST to SST 2.0 had led to a drastic decrease in government revenues. From the economic viewpoint, the abrupt decline in revenue would jeopardize development

projects that would have been funded by higher GST-derived revenues in the short term (Taha, Ahmad, Endut & Baatwah, 2020). Evidently, the decline in indirect tax collection inflicted several implications on the government (MOF, 2020). As such, under the good tax policy guiding principles, the government must review the indirect tax system in Malaysia to fulfil its present revenue requirements (AICPA, 2017). It is challenging to determine the appropriate targeted amount of revenue collection and over targeting would improve revenue but in the expense of public resentment on the tax burden incident. On contrary, the tax revenue collection may not achieve its target if the tax system compromises to fulfil public acceptance. In Preez and Stiglingh (2018), they insisted that the tax system should incorporate the appropriate revenue principle to maintain and attain the estimated tax revenue collection while still leaving a sustainable disposable income for individuals. As such, the following hypothesis (H1) was developed:

Neutrality

Parallel to AICPA (2017), tax neutrality principle demonstrates how the government attempts to ease the impact of tax on taxpayers' decisions when performing a specific transaction. In tax, neutrality occurs when taxpayers' behaviour remains unchanged at post-taxation (Nellen, 2002). Tax laws should be structured in a way that taxpayers' choices between distinctive options are unaffected by income or indirect tax components under the neutrality principle of (Kellgren, 2019). Likewise, the introduction of SST 2.0 should have less influence on the consumers' spending patterns (Choong Kwai Fatt, 2018; Muduli *et al.* 2022; BUKIA, 2021; Tarmidi *et al.* 2022). The general public may be less burdened with SST 2.0 as the number of taxable goods are lesser compared to GST. However, Saidi and Harun (2020) disclosed that 5% and 10% of SST 2.0 imposed on selected goods and tax rates would affect public spending patterns and instigate price hikes compared to the standard 6% GST rate. Public indirect tax perception and acceptance are relatively impacted by their concerns about the possibility of tax burden. The following hypothesis (H2) was developed as the public may behave differently to the novel system, specifically regarding their spending pattern:

Certainty

The tax system should specify the tax payment amount, payment period, and payment method in line with certainty (AICPA, 2017). Taxpayers who could determine tax payment methods and their value could attain the certainty principle. In other words, the aforementioned system must enable taxpayers to identify taxable goods or services in terms of the tax base and applicable tax rate. Following AICPA (2017), it is deemed pivotal for the government to highlight one's tax base and rate. In Foldvary, Haight and Nellen (2016), tax certainty implies taxpayers' capacity to know their tax burden in advance. Likewise, AICPA (2017) justified that the certainty principle promoted specified tax rules in terms of when and how a tax is paid together with its amount. Alley and Bentley (2005) argued that paid taxes should be certain without ambiguities. For example, certainty is incorporated when a payment, payment method, and paid quantity are palpable and comprehensible among payers. Regardless, tax certainty proves challenging to attain with an intricate tax system where taxpayers struggle to evaluate the tax base (Foldvary *et al.* 2016). Furthermore, taxpayers should be aware of the tax amount, its computation, and accurate charges (Owens, 2018). Owens (2018) elaborated those ambiguities in tax legislation, such as tax rates would persist with little facilitation for public comprehension. In Malaysia, the government has published a comprehensive and updated list of SST 2.0 exemptions and charges on the RMCD website and social media. Regardless, a survey 131 on the public certainty level involving SST 2.0 reflected respondents' confusion over the tax system (Ahmad, 2018). Interview outcomes from the current study also implied respondents' ambiguities concerning the list of exempted or taxable goods owing to the tax rate variances (exempted, 5%, and 10%) for different items in SST 2.0. The following hypothesis was developed given the public uncertainty of chargeable tax rates during purchases:

Simplicity

Under AICPA (2017), simplicity is crucial to facilitate citizens' understanding of tax laws. Comprehensible tax law is essential for the general public to better understand and accept tax implementation. Slemrod (2018) stated that an ideal tax system should reflect

simplicity, whereby simplified tax legislation promotes high tax acceptance among citizens from distinctive backgrounds, cultures, incomes, educational backgrounds, and tax knowledge (Hassan, Naeem & Gulzar, 2021). Simplified tax laws play an active role in safeguarding and realising fundamental public rights and interests and encouraging public tax acceptance, efficient tax laws, and optimal governance. Ghani, Mohammad and Muhammad (2021) proposed that the government should effectively deliver SST 2.0-oriented information, such as benefits for a smooth transition and implementation process as the prices of goods would be reduced in SST 2.0. The following hypothesis (H5) was developed based on the aforementioned discussions:

Effectiveness of tax administration

The indirect tax system in Malaysia reverted from GST to SST 2.0 in September 2018 with the effectiveness as the focal point. The crucial roles of RMCD and KPDNHEP are to optimise tax revenue collection. Optimal enforcement by tax administration would essentially ascertain what the government could use to achieve the aim of tax system transformations (Moosa, 2018). Although the price of goods and services should decrease with SST 2.0 (Choong Kwai Fatt, 2018), KPDNHEP received thousands of public complaints following dissatisfaction over price hikes within a month of SST 2.0 implementation (Bernama, 2018). The price increase resulted from profiteering activities by businesses that exploit prices and impose financial burden on people. The following hypothesis (H6) was developed based on the aforementioned argument:

Accountability to Taxpayers

Past literature disclosed Malaysians' understanding and awareness of indirect tax to be relatively low (Harun *et al.* 2017; Noormahayu *et al.* 2015; Ahmad *et al.* 2016; Shamsuddin *et al.* 2014). Consumers' negative viewpoints of indirect tax implementation resulted from inadequate information on exempted goods or services and the implication of price inflation (Bidin & Marimuthu, 2016; Ling *et al.* 2016). Additionally, consumers reflected distinctive interpretations of indirect tax implications and advantages regarding goods, services, businesses,

and socio-economic progress (Hussin *et al.* 2013; Saira *et al.* 2010; Shamsuddin *et al.* 2014; Palil & Ibrahim, 2011; Zabri *et al.* 2016). Inadequate clarification on SST 2.- exempted goods was also highlighted. In this regard, many struggle to comprehend the tax system (Sing & Bidin, 2020). Such accountability potentially encourages public tax system acceptance and respect. It is deemed crucial to ensure the SST 2.0 sustainability to compensate for the massive revenue loss following public GST rejection (Rahman *et al.* 2018). Rameli *et al.* (2020) opined that the government should be more responsible during SST 2.0 implementation to avoid unintended implications, such as low acceptance and rejection through comprehensive public information. The following hypothesis was developed based on the aforementioned discussion:

Transparency and visibility

Transparency ensues when citizens are aware of the presence of taxation together with how and when it is imposed on them and the society at large (AICPA, 2017). Meanwhile, visibility facilitates the public to gauge actual transaction costs, their total tax liability, and to which level of the government body the tax is being paid. Presumably, transparency and visibility occur with adequate knowledge of the paid tax amount. Misconceived information prompted low public acceptance of SST 2.0 despite social media providing detail information of the indirect tax (Nawi *et al.* 2020). The government needs to incorporate transparency and visibility to alleviate confusion among public (Azmi *et al.* 2020). Their preparedness to embrace taxation as a result of awareness of tax imposition and exemption, and chargeable goods would affect their attitude. As such, the following hypothesis (H8) was developed based on the aforementioned arguments:

Trust to the government

Trust to the government is another crucial factor that will influence the behavior of taxpayers in complying with tax laws. Trust also essential for the indirect tax implementation as it can enhance the public acceptance (Damayanti & Martono, 2018). If the public were to mistrust the government, tax implementation would be disrupted (Wong & Kee, 2018). This happened in 2018 when the public rebelled and used their voting rights to overturn

the ruling government. The people will be more ready to fulfil their tax commitments when trust is high (Torgler, 2003). There is more confusion about how the government invests taxpayers' money when people do not believe the government. When they consider government as efficient, the public will accept tax-related decisions, but they will not back these decisions if they do not have the trust (Aktaş Güzel *et al.* 2019). Public confidence in the government increases public approval of the financial system and its tax payment commitment (Jimenez & Iyer, 2016). Saad (2011) indicated that most Malaysians were dissatisfied with how the government was spending the country's revenues. The respondents claimed that the revenue was not spent wisely on health, education or public transportation. They believed that the government channeled funds for bureaucratic purposes. The following hypothesis was developed based on the aforementioned discussion:

Tax Knowledge

The impact of tax knowledge on high tax acceptance has gained much scholarly attention (Palil, 2010; Saad, 2011; Farrar, 2011). Informed taxpayers possess a holistic understanding of the reasons underpinning government tax implementation. According to Singh (2003), optimal tax knowledge enables citizens to internalise tax laws and regulations and demonstrate compliance while Hastuti (2014) emphasized that tax knowledge could be imbibed through formal or informal education by reading an article or the news or consulting others for more clarity. Tax-based information could also be self-learned. In this vein, tax adherence proves easy with an informed and transparent system (Nasir *et al.* 2015) through educational programs on tax regulations and clarification from tax authorities (Palil, 2010). Past scholars discussed the benefits of meeting transparency and visibility requirements for increased public knowledge on novel tax (GST) acceptance. Shaari *et al.* (2015) asserted that misconceptions about GST could be significantly mitigated with optimal tax knowledge. Additionally, Saad (2011) justified that information on the public knowledge level potentially facilitates 81 tax authorities' development of tax education and tax simplification programs. Such authorities might need to emphasize the technical aspects of tax

knowledge and tax law content to enhance citizens' knowledge and their tax system acceptance. As such, the following hypothesis (H10) was developed based on the aforementioned arguments:

RESEARCH METHODOLOGY

Sampling and Data Collection

The main objective of this study is to evaluate the strength and weaknesses of the current indirect tax system in Malaysia, focus mainly on SST 2.0. The questionnaire was distributed throughout Malaysia using two questionnaire distribution techniques. Firstly, the distribution in softcopy form (emails) through an online Google survey form. Follow-ups were made on respondents with incomplete questionnaires. Secondly, disseminated to respondents during school events and academic conferences and duly gathered at the end of the events. This study employed a purposive and quota sampling approach. The sample was selected following specific criteria to fulfil the study objectives. As a non-probability sampling design, data is collected from a specific target or group on a rational basis (Sekaran & Bougie, 2011). The researcher pre-specified respondents' attributes and determined the survey dissemination among the target population in quota sampling. Respondents should be 18 years old and above; the minimum working age in Malaysia. Assumably, the individuals purchased goods and rendered services. The definition of 'public' in the study setting implied households that are classified as Bottom 40 (B40) only. A household denotes a person or group living together in the same house and sharing the same foods and other living essentials. The Department of Statistics Malaysia (DOSM, 2020), classifies the household group in Malaysia which constitute as B40 is refer to those with an income below RM4,849. The usable responses are 236 which exceeded the threshold level in the past literature (Hair, Risher, Sarstedt and Ringle (2018)

Questionnaire Design, Variables Development, Measurement

The survey questionnaire was classified into four sections ranging from Sections A to D. Section A constitutes respondents' general and demographic information while Section B asked

the individuals to provide their responses to SST 2.0 system features. Meanwhile, Section C derives respondents' SST 2.0 implementation acceptance level in Malaysia. Section D enabled the respondents to elaborate on SST 2.0 implementation following their personal experiences. Such responses, which were quantitatively assessed in this study, proved essential to eliciting additional information on SST 2.0 acceptance issues among Malaysians. All the sections were analysed with a seven-point Likert scale excluding Section A (demographic aspects). Croasmun (2011) contended that the most ideal reliability is seven-point scale, as changes in the reliability will be very minimal for scale above seven points. Furthermore, Dawes (2008) found that a seven-point scale could produce a higher means score as compared to ten-point scale. The used of seven-point (odd numbered) scale provides an option for neutrality. In other words, it provides an option for decision without purposely forcing the respondent to select any option if they have no decision (Croasmun, 2011). Thus, the present study decided to utilize seven-point scale ranging. Respondents expressed their opinions from '1 = Entirely Disagree' to '7 = Entirely Agree' in Section B. The individuals could freely select their acceptance level in Section C from 1 = Extremely Unaccepted' to '7 = Extremely Accepted'. The survey was presented in two languages, English and Malay, for respondents to conveniently address the survey. Section A, which depicts respondents' general and demographic details, requires them to fill in personal details: gender, race, age, marital status, number of dependents, education and income level, occupation, state, and district. Section B serves to derive respondents' SST 2.0 implementation viewpoints in Malaysia. The respondents needed to rate their perspective of the government enforcement of an optimal indirect tax system under the AICPA guiding principles of good tax policy.

Quadrant Analysis Technique

In particular, the data derived from the customer satisfaction survey is used to identify the strengths and weaknesses of the organization based on the relationship between priority and customer satisfaction towards each service assessed. In this study, new technique of performance analysis by using Quadrant Analysis was employed to identify strengths and weaknesses in evaluating the public perception towards re-implementation of SST 2.0 in Malaysia. Quadrant Analysis or Importance-Performance Analysis (IPA) is a descriptive analysis technique introduced by John A. Martilla and John C. James in 1977. Importance-Performance Analysisis used to identify the important factors that should be demonstrated by an organization in meeting the satisfaction of their customer. At the beginning stage, Martilla and James used IPA in marketing to identify consumer behavior for the purpose of reviewing their attractiveness towards products in the market. Lately, the use of IPA is growing and not only focused on marketing, but its use has been widespread to studies on hospitality satisfaction among patients who seek treatment in private hospitals, parents' satisfaction towards the facilities in private schools, and also studies on the bureaucracy of service or in dealing with the government departments. Figure 3.1 depict the diagram for the quadrant analysis as employed in this study.

Quadrant A contains elements (services or areas assessed) that are still weak and need urgent attention by the organization as the customer satisfaction level is lower than their expectations.

Quadrant B contains the current strengths of the organization because customers are not only satisfied with the elements but they also identify the elements as important. To maintain the level of customer satisfaction of these elements, the organization must ensure that the relevant procedures are adhered to and enhanced if necessary.

Quadrant C is not considered so important by the customers but they are satisfied with the current performance. This means that the organization does not need to improve related matters because such efforts are not a priority and may waste the source of financial and energy.

Quadrant D is the element that are not considered so important by the customers but at the same time, they are unhappy. This means that these things need to be improved, but not as important as the services in Quadrant A. Therefore, these weaknesses should also be noted in the overall service improvement process.

Table 1: List of variables abbreviations

Category	Statement	Abbreviation
1. Equity & fairness	It is fair for the T20 group to pay for higher SST tax.	E1
	It is fair for the M40 group to pay for income tax and SST.	E2
	It is fair for the T20 group to pay for income tax and SST.	E3
	The 0% rate that are impose in basic commodities such as rice, sugar danflour is fair to the B40 group.	E4
	The rate of individual income tax for the M40 group should be lowered afterthe implementation of SST.	E5
	The government is fair in providing facilities to the people, such as education aid, medical aid and public transportation from SST.	E6
2. Appropriate government revenue	I believed that the government's decision to reimplement SST is to strengthen the economy.	GR7
	The government can save the national financial crises with the reintroduction of SST.	GR8
	The government spends the SST and other taxes collection towards beneficial programs for the people, such as building ECRL, government hospital facilities and others.	GR9
	In addition to individual and corporate income taxes, the government need to reintroduce SST to increase tax revenue.	GR10
3. Neutrality	My spending pattern remained the same regardless of GST or SST.	N11
	I am free to choose my spending pattern.	N12
	SST does not put a burden on my spending.	N13
	I am able to purchase cheaper items after SST is implemented.	N14
	The government need to exclude more goods and services from SST.	N15
	The price of goods and services are cheaper after the reintroduction of SST.	N16
4. Certainty	I am certain on the tax that is imposed on the purchased goods and services when I make my purchase at the counter.	N17
	I am certain that SST is imposed when I choose to make my purchase.	N18
5. Simplicity	I have better understanding of the SST system compared to the previous GST system.	S19
	The explanation given by the Royal Malaysian Custom Department regarding SST is easy to understand.	S20
6. Effectiveness of tax administration	I am convinced of the effectiveness of the governing bodies (RoyalMalaysian Custom) in implementing SST.	EA21
	The Royal Malaysian Custom has been doing a good job in ensuring thatthere are no tax leakages during tax collection.	EA22
	The price of goods is in stable due to the efficient enforcement byKPDNHEP.	EA23
	SST in Malaysia will be successful if the monitoring agency, KPDNHEP isable to control the price of goods.	EA24
	Any complaint regarding the misconduct of sellers such as irresponsible price hike can be made to KPDNHEP*	EA25
	KPDNHEP* and the Royal Malaysian Custom have taken act uponcomplaints made by the public.	EA26
	KPDNHEP* and the Royal Malaysian Custom has conducted awareness programs to inform the public on their purchasing right and SST.	EA27
	KPDNHEP* has done a good job in ensuring that there are no price manipulation activities among sellers.	EA28
7. Accountability to taxpayer	The government is more accountable in declaring the amount of SSTcollection to the public.	AC29
	The government is accountable informing the SST value that is incurredwhen I make my purchase.	AC30
	The government is accountable to inform the items that are exempted fromSST.	AC31
	The government is accountable in ensuring that the amount of SST that I paidis stated in the receipt.	AC32

Category	Statement	Abbreviation
8. Transparency & visibility	I know the sales tax rate in SST.	TV33
	I know the service tax rate in SST.	TV34
	I know that packet items such as sardine, condensed milk, curry spices,instant noodles, flour and milk formula are exempted from SST.	TV35
	I know that fresh produce such as unprocessed fish and chicken are exempted from SST.	TV36
	I know that SST is a single-stage tax that is generally imposed on producersand manufacturer.	TV37
	I know the rate of service tax that I was imposed at when I stay at any hotels under SST rate.	TV38
	I know the rate of the service tax that was imposed when I bought tickets atthe amusement parks.	TV39
	Every individual in Malaysia will be charged SST when making a purchaseor receiving any services, regardless of their level of income.	TV40
	I know the rate of the sales tax for shower and beauty products, and for carbonated beverage.	TV41
	I know that the list of tax exempted goods is available at the official websiteof the Royal Malaysia Custom.	TV42
9. Public acceptance	SST is supposed to be implemented.	PA43
	SST is fairer than GST.	PA44
	The sale tax of SST of 5% to 10% is appropriate.	PA45
	The SST rate can reduce the burden of life cost among the lower- incomegroup.	PA46
	SST must be implemented to respond to the national financial problem.	PA47
	The SST system is easier to understand.	PA48
	SST is beneficial to the people as it returned to the public in the form of basic facilities such as free education in government schools and others.	PA49
	The reimplementation of SST is to prevent the sellers from manipulatingprices of goods.	PA50
	I accepted SST more than GST.	PA51
10. Public acceptance level of tax knowledge	I know the Sales Tax rate in SST	TK52
	I know the Service Tax rate in SST	TK53
	I know that packet items such as sardine, condensed milk, curry spices, instant noodles, flour and milk formula are exempted from SST.	TK54
	I know that fresh produce such as unprocessed fish and chicken are exempted from SST.	TK55
	I know that SST is a single-stage tax that is generally imposed on producers and manufacturers.	TK56
	I know the rate of service tax that I was imposed at when I stay at hotels.	TK57
11. Public acceptance level on Trust to the Government	The government is smart in handling the issue of SST burden that is faced by the public.	TR58
	I believed that the government will be able to solve the problem regarding SST(such as related to increase in price of goods)	TR59
	I fully support the effort made by the government in improving the system of indirect tax.	TR60
	The government is trusted, honest and can be accountable in handling the issue of the people's economy.	TR61

For the current study, quadrant analysis is employed to reveal the strengths and the weaknesses of the current SST 2.0 based on the guiding principles of good tax policy added with another two variables which are trust to the government and tax knowledge. These variables are deemed factors that affect the public acceptance towards SST 2.0 in Malaysia.
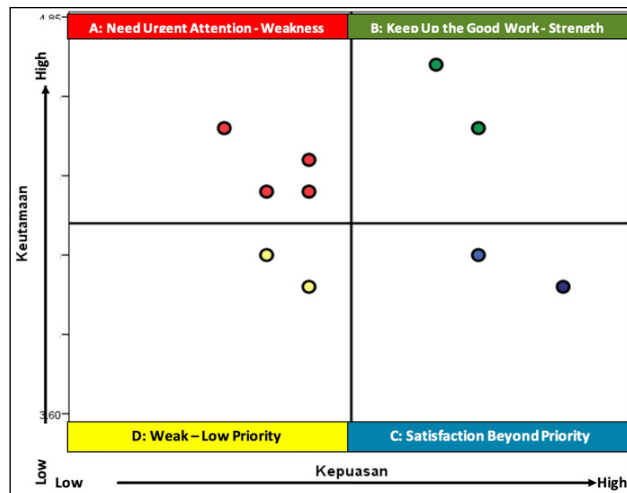

Fig. 1: Example of quadrant diagram for priority-weakness analysis

FINDINGS AND DISCUSSION

Public Acceptance Level toward SST 2.0

This section highlights the results derived from descriptive analysis of the current study variables with the total number of respondents are 236. Malaysians' indirect tax implementation acceptance level was examined using the AICPA (2017) guiding principles of good tax policy added with another two variables which are trust to the government and tax knowledge.

The Public Acceptance Level of the Equity and Fairness

Item	Statement	Mean	N	Std. Deviation
E1	It is fair for the T20 group to pay for higher SST tax.	3.03	236	1.860
E2	It is fair for the M40 group to pay for income tax and SST.	3.73	236	1.745
E3	It is fair for the T20 group to pay for income tax and SST.	4.89	236	1.798
E4	The 0% rate that are impose in basic commodities such as rice, sugar and fair to the B40 group.	4.95	236	1.892
E5	The rate of individual income tax for the M40 group should be lowered afterthe implementation of SST.	5.06	236	1.751
E6	The government is fair in providing facilities to the people, such as education aid, medical aid and public transportation from SST.	5.03	236	1.906

Exchange equity and fairness generated the highest mean score, which implied the public concerns about the benefits received for contributing to the government-enforced SST 2.0. Exchange equity and fairness was significantly represented by item E5 and E6 with mean values of 5.06 and 5.03, respectively. The respondent of the survey is the B40 income level, thus, they aware and agreed with the zero-rated tax impose on the basic commodities good. B40 also concerned with the tax burden faced by the M40 group, thus, they accepted if the government lowered the income tax rate for M40.

The Public Acceptance Level of the Appropriate Government Revenue

Item	Statement	Mean	N	Std. Deviation
AGR7	I believed that the government's decision to reimplement SST is to strengthen the economy.	4.06	236	1.806
AGR8	The government can save the national financial crises with the reintroductionof SST.	3.58	236	1.881
AGR9	The government spends the SST and other taxes collection towards beneficialprograms for the people, such as building ECRL, government hospital facilities and others.	4.12	236	1.775
AGR10	In addition to individual and corporate income taxes, the government need toreintroduce SST to increase tax revenue.	4.17	236	1.950

The item AGR10 reflected the highest mean value score (4.17), reflected the highest mean value score (4.17), thus implying respondents' realization as to why the government needed to implement SST 2.0. This statement was corroborated by the second- highest mean value score (4.12) for AGR9. Summarily, the mean of 4.06 for AG7, denotes respondents' neutrality in embracing SST 2.0.

The Public Acceptance Level of the Neutrality

Item	Statement	Mean	N	Std. Deviation
N11	My spending pattern remained the same regardless of GST or SST.	4.31	236	1.773
N12	I am free to choose my spending pattern.	4.54	236	1.704
N13	SST does not put a burden on my spending.	3.79	236	1.720
N14	I am able to purchase cheaper items after SST is implemented.	3.62	236	1.734
N15	The government need to exclude more goods and services from SST.	4.43	236	1.835
N16	The price of goods and services are cheaper after the reintroduction of SST.	3.68	236	1.815

Essentially, the item N12 generated the highest mean score (mean = 4.54, standard deviation =1.704) compared to other counterparts, which implies respondents' concurrence of having the freedom to spend money by selecting more affordable eateries for take-away food. Moreover, N15 denotes respondents' will be more accepted if more goods and services are excluded from SST. However, N16 reflects that respondents still in doubt whether the price of goods and services are cheaper after the reintroduction of SST 2.0.

The Public Acceptance Level of the Certainty

Item	Statement	Mean	N	Std. Deviation
C17	I am certain on the tax that is imposed on the purchased goods and serviceswhen I make my purchase at the counter.	3.87	236	1.662
C18	I am certain that SST is imposed when I choose to make my purchase.	4.06	236	1.552

The mean of 4.06 for item C18 denotes respondents' relative certainty of being indirectly taxed by sales or service taxes at any given period when purchasing goods and services. Nevertheless, the mean of 3.87 for item C17 indicated respondents' relatively uncertainty of the tax amount charged on their purchasing.

The Public Acceptance Level and the Simplicity

Item	Statement	Mean	N	Std. Deviation
S19	I have better understanding of the SST system compared to the previous GSTsystem.	3.69	236	1.506
S20	The explanation given by the Royal Malaysian Custom Department regardingSST is easy to understand.	3.81	236	1.488

Regarding the mean values for items S19 and S20 respondents are relatively confused with SST 2.0 regulations. The findings depicted the intricacy and low comprehensibility of SST 2.0 regulations. This situation will influence the low public acceptance level on the SST 2.0.

The Public Acceptance Level and the Effectiveness of Tax Administration

Item	Statement	Mean	N	Std. Deviation
EA21	I am convinced of the effectiveness of the governing bodies (Royal Malaysian Custom) in implementing SST.	4.07	236	1.612
EA22	The Royal Malaysian Custom has been swedswed2doing a good job in ensuring thatthere are no tax leakages during tax collection.	4.04	236	1.606
EA23	The price of goods is in stable due to the efficient enforcement by KPDNHEP.	3.60	236	1.607
EA24	SST in Malaysia will be successful if the monitoring agency, KPDNHEP isable to control the price of goods.	4.12	236	1.641

EA25	Any complaint regarding the misconduct of sellers such as irresponsible pricehike can be made to KPDNHEP*	4.16	236	1.641
EA26	KPDNHEP* and the Royal Malaysian Custom have taken act uponcomplaints made by the public.	4.10	236	1.505
EA27	KPDNHEP* and the Royal Malaysian Custom has conducted awareness programs to inform the public on their purchasing right and SST.	4.03	236	1.651
EA28	KPDNHEP* has done a good job in ensuring that there are no price manipulation activities among sellers.	4.33	236	1.777

Item EA28 reflected the highest mean value score (mean = 4.33, std. deviation = 1.777) in assessing the effectiveness of tax administration construct. In this vein, respondents believe in the essentiality of tax authorities resolving business-induced price manipulation that causes goods and service price hikes following the mean of 4.16 for EA25.

The Public Acceptance Level of the Accountability

Item	Statement	Mean	N	Std. Deviation
AC29	The government is more accountable in declaring the amount of SST collection to the public.	4.97	236	1.736
AC30	The government is accountable informing the SST value that is incurred when I make my purchase.	5.21	236	1.703
AC31	The government is accountable to inform the items that are exempted fromSST.	4.67	236	1.784
AC32	The government is accountable in ensuring that the amount of SST that I paidis stated in the receipt.	4.28	236	1.717

Notably, AC30 produced the highest mean score at 5.21 among the four items, which denotes the government success in promoting the implementation of SST 2.0 and respondents'

awareness of being indirectly taxed when making purchases. Meanwhile, the mean of 4.67 for AC31 indicates respondents' clarity on SST 2.0-exempted goods.

The Public Acceptance Level of the Transparency

Item	Statement	Mean	N	Std. Deviation
TV33	I know the sales tax rate in SST.	4.22	236	1.557
TV34	I know the service tax rate in SST.	4.27	236	1.602
TV35	I know that packet items such as sardine, condensed milk, curry spices,instant noodles, flour and milk formula are exempted from SST.	4.51	236	1.580
TV36	I know that fresh produce such as unprocessed fish and chicken are exempted from SST.	4.33	236	1.541
TV37	I know that SST is a single-stage tax that is generally imposed on producersand manufacturer.	4.36	236	1.501
TV38	I know the rate of service tax that I was imposed at when I stay at any hotel.	4.35	236	1.498
TV39	I know the rate of the service tax that was imposed when I bought tickets atthe amusement parks.	4.37	236	1.560
TV40	Every individual in Malaysia will be charged SST when making a purchaseor receiving any services, regardless of their level of income.	4.12	236	1.536
TV41	I know the rate of the sales tax for shower and beauty products, and forcarbonated beverage.	4.14	236	1.645
TV42	I know that the list of tax exempted goods is available at the official websiteof the Royal Malaysia Custom.	3.71	236	1.691

Among the 10 items, TV35 generated the highest mean (4.51). The mean value score outcomes for the construct items imply the government transparency in disclosing the details of taxable and exempted goods and services under SST 2.0. As the respondent comprised of low-income group (B40), they are

very aware of the list of tax-exempt items. They perceived the tax burden and they will avoid those will affect their household income. Unfortunately, TV42 denotes the lowest mean score which highlight that the respondents are unsure about the list of tax exempted goods which are available at the Royal Malaysian Custom website. This finding suggests that the information about the tax system should be made available to the public, thus, would encourage their awareness and more acceptable on the tax reform especially on the consumption tax.

The Public Acceptance Level

Item	Statement	Mean	N	Std. Deviation
PA43	SST is supposed to be implemented.	3.65	236	1.665
PA44	SST is fairer than GST.	3.47	236	1.641
PA45	The sale tax of SST of 5% to 10% is appropriate.	3.61	236	1.659
PA46	The SST rate can reduce the burden of life cost among the lower- income group.	3.70	236	1.625
PA47	SST must be implemented to respond to the national financial problem.	3.80	236	1.645
PA48	The SST system is easier to understand.	4.28	236	1.797
PA49	SST is beneficial to the people as it returned to the public in the form of basic facilities such as free education in government schools and others.	3.64	236	1.659
PA50	The reimplementation of SST is to prevent the sellers from manipulating prices of goods.	3.87	236	1.774
PA51	I accepted SST more than GST.	3.60	236	1.839

The highest mean score (4.28) for PA48 denotes that most respondents possess basic knowledge of SST 2.0. Although the overall mean value for public acceptance (3.74) demonstrates their relative resentment towards SST 2.0, possibilities for improvement exist to ensure its sustainability. The public acceptance level was examined following nine statements. Summarily, the respondents disagree with the implementation of SST 2.0.

This study also seeking the perception on the public acceptance related to tax knowledge and trust to the government.

The Public Acceptance Level of Tax Knowledge

Item	Statement	Mean	N	Std. Deviation
TK 52	I know the Sales Tax rate in SST	4.27	236	1.787
TK53	I know the Service Tax rate in SST	4.12	236	1.583
TK54	I know that packet items such as sardine, condensed milk, curry spices, instant noodles, flour and milk formula are exempted from SST.	4.20	236	1.658
TK55	I know that fresh produce such as unprocessed fish and chicken are exempted from SST.	4.45	236	1.674
TK56	I know that SST is a single-stage tax that is generally imposed on producers and manufacturers.	4.22	236	1.690
TK57	I know the rate of service tax that I was imposed at when I stay at hotels.	4.15	236	1.632

The highest mean score (4.45) for TK55 denotes that most respondent are aware on the effect of SST on the price of goods, especially fresh product. In other word, they have sufficient tax knowledge about the tax system implemented and the effect on their household expenses. From the respond, public will accept the tax implemented if more benefits that they can get such as exemption as this will reduce the burden of high cost of living.

The Public Acceptance Level on Trust to the Government

Item	Statement	Mean	N	Std. Deviation
TR58	The government is smart in handling the issue of SST burden that is faced by the public.	3.86	236	1.917
TR59	I believed that the government will be able to solve the problem regarding SST(such as related to increase in price of goods)	3.68	236	1.842

TR60	I fully support the effort made by the government in improving the system of indirect tax.	3.73	236	1.918
TR61	The government is trusted, honest and can be accountable in handling the issue of the people's economy.	3.64	236	1.846

Generally, from the mean scores above denote that the public acceptance level on trust to the government is low. In other word, the situation highlighted that low trust to the government will influence low public acceptance towards re-introduction of SST 2.0 in Malaysia. This could be the result of the GST which have left its mark in the Malaysian tax system that need to be assimilated by the new tax system so no former mistakes and confusion that burdened the people will happen again (Rahman, Johari, Abdul Manaff, Wan Mohamad & Ramli, 2018).

Quadrant Analysis of Public Acceptance Level towards Officer Services

As explained in Section 3.1, the quadrant analysis is divided into four sections. Section A includes services or areas that are still weak and need urgent attention from the policymakers, as the public acceptance level is lower than their expectations. Figure 4.1 illustrates five variables in Section A that need urgent attention from the policymakers, namely trust in the government, simplicity, certainty, appropriate government revenue, and the effectiveness of tax administration. The findings showed that the respondents had a lack of trust in the government; hence, as reflected in Section 4.4.10 on trust in the government, the public may have low confidence in terms of whether the issue related to the high prices of goods and services due to SST 2.0 could be resolved by the government. Unfortunately, the lower income group had an insufficient understanding of SST 2.0 and the tax authority did not seem to play a role in disseminating the necessary information to the public. As a result, the public doubts the role of KPDNHEP in stabilizing the prices of goods efficiently. Meanwhile, in terms of appropriate government revenue, the public was aware of the need to implement tax to generate income for economic improvement; however, they were unsure

about whether the re-implementation of SST 2.0 could settle the financial crisis in Malaysia.

Interestingly, Figure 4.1 shows that the public accepted the transparency of the indirect tax system, which was deemed equitable and fair, especially in terms of the benefits and good infrastructure provided by the government through good utilization of the tax collected. Moreover, the government also showed accountability to the public through extensive support such as the economic stimulus package provided during the COVID-19 pandemic. Tax knowledge, which is in the third quadrant, is another variable to be maintained. Since the tax system may affect household expenses, the public tended to seek information about SST 2.0. Besides, since the respondents of this study are from the lower income group, they are also more concerned about the types of goods that allow for an exemption or are zero-rated. Finally, the variable of a neutral tax system, which is in the last quadrant, showed low priority. Thus, even though the public scarcely viewed SST 2.0 as a neutral tax system, this is not something that they would prioritize. However, as discussed in 4.4.2 above, the public acceptance of the indirect tax system in Malaysia, either SST or GST, is low due to the price hike of goods and services it imposed. Indeed, SST 2.0 has significantly altered the spending patterns of individuals, including those from the B40 income group, causing them to allocate their highest percentage of income to housing and utilities (DOSM, 2019). Therefore, the implementation of SST 2.0 to replace GST has impacted all income groups, especially the B40, who perceived indirect tax as regressive and burdensome.
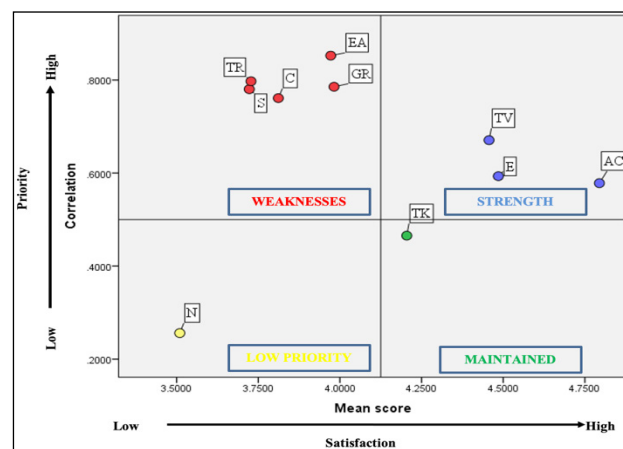

Fig. 2: Quadrant Analysis on the strength and weaknesses of the SST in Malaysia

Weaknesses: Need Urgent Attention	Strength–Must Be Maintained
TR: Trust on the government	TV: Transparency
S: Simplicity	E: Equity and fairness
C: Certainty	AC: Accountability to taxpayers
GR: Appropriate government revenue	Maintained: Satisfaction Beyond Priority
EA: Effectiveness of tax administration	TK: Tax knowledge
Low priority: Weak But Not A Priority	
N: A neutral system	

CONCLUSION

The objective of this study was to examine the public acceptance level towards SST 2.0 based on the guiding principles of good tax policy added with another two variables which are trust to the government and tax knowledge. Overall, the results suggested that public are disagree with the re-implementation of SST 2.0. The most prominent results are related to trust to the government, simplicity, certainty, appropriate government revenue and effectiveness of tax administration. The respondents of the study comprised of lower income group or Bottom 40 with an income is below RM4,849. Interestingly, low trust to the government plays a vital role contributing towards low public acceptance level on the re-implementation of SST 2.0. Public seems not confident whether the government is able to rectify the issue derived from the SST 2.0 especially on the price of goods and services. The results also suggest that public are still confused with SST 2.0, where they hope that the price of goods and services decrease following GST abolishment, but the situation is worst with the rising in the price of goods and services. This situation influences the public especially lower income level to be price-sensitive especially for the fresh products and their acceptance level increase if the government allow more tax exemption on goods and services. The tax authority also must consistently educate the public and divulge the accurate information about the indirect tax system to avoid misinterpretation which can affect their acceptance towards any tax reform in Malaysia.

In conclusion, although various studies have been undertaken in relation to the indirect tax system in Malaysia, however, through quadrant analysis provides more insightful findings on the strength and weaknesses of the current SST 2.0 implementation in Malaysia. Undoubtedly, the government should seriously consider the variables or elements that need urgent attention as shown in the first quadrant. The Royal Malaysian of Custom Department together with the Ministry of Domestic Trade and Consumer Affairs must work together to combat the distortion and manipulation in the food supply chain which is the main cause of prices increases. The policymaker and governing authority must make sure that the Price Control and Anti-Profiteering Act are being implemented effectively. In view of the strong rumor that the Goods and Services Tax (GST) may be re-introduced in Malaysia, the findings of the study provide vital contributions to the policymakers to continuously mitigate the public burden by exempting or including more basic necessities (food) items from the consumption tax, and the public should likewise embrace the consumption tax if such action actually reduces their financial burden in the long run. Taxpayers want to see that the taxes they pay from their hard work are well managed to provide the quality services needed by all Malaysians, especially under these uncertain times due to the COVID-19 pandemic and beyond.

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