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# Compliance Risk Management of Malaysian Sales and Services Tax 2.0: the Influence of Internal and External Risks

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***Abstract***

*Sales and Service Tax (SST) 2.0 was introduced in Malaysia on 1 September 2018. The implementation of SST 2.0 raised several issues from the taxpayers' perspectives, such as certain transactions are subject to multiple tax exposures. This 'tax cascade' increases the prices of certain goods and services, hence increasing the possibility of businesses becoming tax non-compliance. Previous studies suggest that compliance can be improved by managing the associated internal and external risks. Hence, this paper aims to understand the internal and external risks in SST administration, and examine the relationship between internal and external risks involved with compliance risk management. Data was gathered through survey and analysed using descriptive and regression analyses. Results indicate that human resources and public opinion might pose some risk to tax administration, while others are well-managed by the tax authority. Furthermore, organisational work culture, human resources, professionalism, information technology, financial risk, legislation and economic condition have significant relationships with compliance risk management of SST 2.0. The findings provide meaningful insight for the tax authority in developing their risk management strategies in their effort to improve SST 2.0 compliance, and enhance their resilience to potential threats and challenges.*

***Keywords:*** *SST 2.0; Internal Risk; External Risk; Compliance Risk Management; Tax Authority*

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**Емпіричне дослідження систем бізнес-аналітики та їх впливу на ефективність інновацій**

**Анотація**

Це дослідження спрямоване на емпіричне вимірювання та перевірку концептуальної моделі величини впливу організаційної культури, рівня зрілості IT та якості даних на успішне впровадження систем бізнес-аналітики та їх наслідки для ефективності інновацій. Вибірка дослідження містила 4 комерційні банки та 58 звичайних комерційних банків у категорії національних приватних комерційних банків Індонезії, отже, загальна вибірка в цьому дослідженні становила 62 банки.

Сферами нашого емпіричного дослідження шляхом перевірки гіпотез були: оцінка впливу бізнес-аналітики на фінансову діяльність; вплив бізнес-аналітики на інновації; вплив бізнес-розвідки на успіх бренду; вплив інновацій на успіх бренду; вплив інновацій на фінансові показники.

У цьому дослідженні використовувалися методи неімовірнісної вибірки з методами цілеспрямованої вибірки в звичайних комерційних банках Індонезії. Метод аналізу даних використовує коваріанське структурне моделювання (Covarian Based-Structural Modeling, або CB-SEM) із засобами програмування, які підтримують первинний аналіз даних у Lisrell 8.5.

Результати цього дослідження показали, що чим вищий рівень впровадження організаційної культури, рівень IT-зрілості та якість даних, тим вищий рівень успішності впровадження систем бізнес-аналітики, які мають вплив на покращення ефективності інновацій, тоді як чим вищий рівень застосування систем бізнес-аналітики, тим вищий рівень інноваційної ефективності.

Впровадження організаційної культури є фактором, який має найбільш значний вплив на успіх впровадження систем бізнес-аналітики порівняно з іншими факторами, вивченими в цьому дослідженні.

**Ключові слова:** організаційна культура; рівень IT зрілості; якість даних; системи бізнес-аналітики; продуктивність інновацій.

## 1. Introduction

The implementation of Sales and Service Tax 2.0 (SST 2.0) [after the abolishment of Goods and Services Tax (GST) in 2018] has raised several issues from the taxpayers' perspectives. For

instance, Yeoh Cheng Guan, an indirect tax leader from Ernst and Young Tax Consultants Sdn Bhd (EY), stated that he is concerned about the welfare of the food and beverage (F&B) industry under the new Service Tax. Yeoh said, "I am concerned about the current SST treatment of business in this sector. A key exemption within the new tax regime is rental income, which is not subject to any form of SST. It is not uncommon for a restaurateur to own the building or shop lot in which his business operates. His restaurant may be on the ground floor while he lets out the second and third floors to collect rental income. Under the SST 2.0 industry guidance, if you are an F&B operator and have been licensed to charge Service Tax, the rental income is now subject to Service Tax. I struggle to understand the spirit of the law in this instance" (Gomez, 2018). Yeoh added, "In addition, clearer guidelines are needed when there is a mixed supply chain operates within a holding company structure. It is important to note that where a Sales Tax is imposed, there cannot also be a Service Tax within that supply chain and vice versa. Take an F&B group of companies with a central kitchen operating as a subsidiary. The central kitchen 'manufactures' food, which it then sells to the group's own shops (retailers) and charges them a Sales Tax. The retailers then sell the food to the public and are required to charge their customers a 6% Service Tax. This results in a potential 16% tax situation, leading to a price increase. The authority needs to study this situation to help the business community mitigate the cost of doing business". In addition, every new tax regime always has early glitches. It would appear that within the new SST regime, certain transactions may be subject to multiple tax exposures. This 'tax cascade' has the effect of indirectly increasing the prices of certain goods and services. Businesses engaged in selling these goods and services would arguably be less competitive, and consumers would opt for products and services from similar suppliers. Therefore, there is a possibility that businesses become tax non-compliance to avoid being in such a situation (Gomez, 2018).

In relation to this, Walsh (2012) stated that one of the ways that can be used by a tax authority to increase tax compliance is to improve compliance risk management. According to Organization for Economic and Co-operation and Development (OECD) (2004), compliance risk management is a systematic process in which an organisation will use an effective instrument to encourage process compliance and prevent non-compliance. He described compliance risk management in tax administration as a systematic approach in which tax administration will make a deliberate selection of the suitable risk identification and treatment tools that could be employed to efficiently and effectively enhance taxpayers' compliance behaviour and tax administration productivity. The primary objective of tax administration compliance risk management is to enable the tax authority to achieve its strategic visions by making effective decisions and increasing taxpayers' compliance. In this regard, the tax administration shall develop strategies to balance innovative treatment and traditional enforcement activities by seeking an effective way to increase process compliance and reduce the risk level. Hence, there is a need for an effective risk management model to be developed to combat non-compliance by taxpayers. This is because the dynamic nature of businesses and corporate organisations made the trend of non-compliance increase and, as a result, exposed tax administration to internal and external risk problems (OECD, 2017).

The majority of tax compliance research has been conducted on external risk management, which focused on the taxpayers' perspective (see, for example, Nkundabanyanga et al., 2017; Rahman, 2017; Yusoff & Mohd, 2017). This study, in contrast, investigates the perspective of tax administration in identifying both the internal and external compliance risks for SST 2.0. To the researchers' knowledge, there is limited empirical evidence on compliance risk for indirect tax administration that can be found in the literature, whether in Malaysia or other

countries. Based on the foregoing discussion, this study explores the perceptions of SST 2.0 compliance risk in Malaysia after its re-introduction in 2018 (after the abolishment of GST). This is highly important to explore how the Royal Malaysian Custom Department (RMCD) officers view compliance risk (internal and external) thus far. Then, the influence of identified risks on compliance risk management is examined.

Following this introduction, the second part of this paper presents the literature review while the third part deals with methodology. The fourth part sets out results and discussion while the last part discusses conclusion and implications.

## 2. Literature Review

This section provides a review on risk, risk management and compliance risk management in tax administration. This is followed by a review of literature on the independent variables and hypotheses.

### 2.1 Overview of Risk

The word risk is defined by scholars from different perspectives with different meanings to organisations and individuals. Risk is a probability or threat that an event or action with adverse effect will occur in an organisation that can hamper its ability to achieve its goals and objectives (OECD, 2017). Risk is a condition in which the decision-maker does not know all the alternatives and the risk associated with each alternative or the consequence of each alternative is likely to have (Dikwa, 2018). These two assertions show that risk is a complex and problematic threat to any organisation towards accomplishing its objectives if not properly managed by putting the right strategies to curb the risks facing the organisation's effectiveness.

Normally, risk could either be a negative risk or a positive risk. According to Dikwa (2018), positive risks are the risks characterised by opportunities and chances, while negative risks are the risks characterised by threats and intimidations to the organisation's efficiency and objectives achievement. Therefore, for any organisation to achieve its goals and objectives, it is necessary to identify and analyse all forms of risks facing their operational efficiency and performance effectiveness.

In any organisation, the risk is normally classified into internal and external (European Commission, 2016). Internal risks in tax administration are those risks that exist within the tax authority, such as low compliance with tax laws by the tax official, negligence of duty and tax authority's norms and culture, and recklessness in tax administration that could lead to distraction and not accomplishing tax administration's objectives. European Commission (2016) identified five internal risks in tax administration, namely organisational culture, human and financial management, information technology, and governance structure.

External risks are those risks that are outside of the tax administration and are mostly related to the environment as well as external stakeholders such as taxpayers. These risks are those that affect the operational efficiency of tax administration and originate from external forces posed by the environment and taxpayers. The external compliance risks are grouped into four perspectives: legislation (legal environment), public opinion, economic conditions and political influence.

### 2.2 Risk Management

The concept of risk management has been widely discussed in the extant literature and its

definition. The most common definition is the one offered by Romanowska and Trocki (2004, p. 347), who defined risk management as "formulating an action plan aimed at minimising or eliminating the negative effects of risk appearing in various areas of the operation of an enterprise and searching for development opportunities through undertaking business activities in the sphere of increased risk." On the same note, OECD (2004) described risk management as a process that shows an organisation's ability to identify, plan and assess risks confronting its operational efficiency and effectiveness. Additionally, it is a process in which organisations are dealing with various types of risks or threats that are fast approaching and will cause an adverse effect in accomplishing an organisation's visionary objectives.

In relation to this, the Committee of Sponsoring Organization (COSO) came up with Enterprise Risk Management (ERM) integrated framework in 2004 called "*COSO's ERM Integrated Framework 2004*" (Moeller, 2007) to explain the overall risk management approach to business risks. Under the COSO ERM framework, the firm can achieve its objectives as much as it places much concern on four major sources of business risks, namely strategic, operations, reporting, and compliance (Moeller, 2007). Strategic risk relates to risks that an entity's objectives do not align with its vision and mission, thus, making it difficult to meet its aspiration. The operations risk is the risk that the entity is not operating effectively and efficiently to ensure optimal utilisation of resources, such that cost will be minimised and profit maximised. The reporting risk is the risk that the entity's financial reporting is not presented in line with the qualitative characteristics of the financial statement - that is, it is neither relevant nor reliable. Lastly, compliance risk is the risk that the entity fails to comply with applicable laws and regulations. It was asserted that managing risks in these four risks appetite would enable the entity to create value for its stakeholder (Moeller, 2007). These risk appetites are depicted in "*COSO's ERM Integrated Framework 2004,* as presented in Figure 1.




**Figure 1:** COSO ERM Integrated Framework (Steinberg et al., 2004).

As explained earlier, compliance risk relates to non-compliance with applicable laws, rules, and regulations within the entity's business environment (Wahyuni & Novita, 2021). Failure of the firm to comply with such provisions may result in fines, penalties, delisting from the stock market, and even forceful closure of the enterprise. Specifically, compliance risk management is the art of managing the risk of non-compliance by an entity as best as it can, considering the

resources available within the entity's compliance program and the regulatory obligations which it faces (Kelly, 2019). Therefore, COSO (2020) advised that for any compliance risk management activity to be effective, there should be a regular review of compliance risk management practices and capabilities, and the entity should continually take necessary steps to improve its compliance and ethical standards.

### 2.3 Compliance Risk Management in Tax Administration

Compliance risk management becomes a fundamental issue and phenomenon eroding a tax administration's capability and strength in collecting and managing tax revenue efficiently and effectively. Tax administration will not be efficient in its operational functions and effective in collecting due taxes and channelling them to the government for the provision of public infrastructure without identifying and analysing the compliance risk in the tax system from taxpayers' and tax administration perspectives. According to Cai et al. (2015), there are various issues and problems regarding internal and external risks faced by different tax administrations, specifically across developing countries. They suggested a need for further research to study compliance risk management in tax administration to improve the efficiency and effectiveness of the tax authorities in developing countries. OECD (2017) states that various revenue authorities worldwide have been trying to address the issue of tax risk management involved in tax administration as a discrete element of compliance risk management. Hence, this study aims to bridge the gap by focusing on the degree of influence of internal (organisational work culture, human resources, professionalism, information technology and financial risk) and external (legislation, public opinion, economic condition and political influence) risks on compliance risk management.

### 2.4 Organisational Work Culture and Compliance Risk Management

Zakari et al. (2013) defined organisational work culture as practices and values prevailing in the workplace that either strengthen or undermine organisational objectives' achievement. A positive organisational work culture can attract talent as job candidates evaluate the work culture of an organisation. Thus, a strong, positive, clearly defined, and well-communicated culture attracts talent that fits the organisation (ERC, 2019). It also drives engagement and retention by influencing how employees interact with their workplace, promoting the happiness and satisfaction of employees, and eventually enhancing organisational performance (ERC, 2019). With these attributes of positive organisational work culture in place, there is a likelihood that an organisation will attract and retain employees committed to achieving organisational objectives, including those relating to compliance risk management.

Specifically, the link between culture and compliance risk management has been highlighted in the literature. In this, Gorgoń et al. (2019) discussed the theoretical significance and functions of compliance risk management based on the cultural systems of Poland and Germany. They asserted that cultural conditions in force in each corporation directly affect how compliance norms will be implemented. This, in essence, signifies how the work culture in each organisation can affect its compliance risk management practices. Thus, Gorgoń et al. (2019) recommended that the compliance risk management system should consider both cultural diversity and enterprise homogeneity in Poland. However, despite the supporting evidence on the link between cultural values and compliance risk management, empirical evidence is specifically lacking on the influence of work culture on compliance risk management within the extant literature. It is worth noting that work culture is particularly important to compliance risk management since a strong, positive, clearly defined, and well-communicated work culture attracts talent that fits an organisation, which

ultimately influences organisational performance (ERC, 2019; COSO, 2020). This, in essence, could include compliance risk management-related performance. This insight signifies the need to examine the organisational work culture and compliance risk management nexus to provide empirical evidence, which is currently lacking within the extant literature. In line with the argument, the following hypothesis is proposed:

**H1:** *Organisational work culture will have a significant positive relationship with compliance risk management.*

### 2.5 Human Resources and Compliance Risk Management

Human resources have been defined as the pool of human capital under an organisation's control in a direct employment relationship (Wright et al., 1994). Human resources could include more than regular full-time employees. It encompasses management and labour personnel as well as full-time and part-time individuals, including seasonal and year-round employees (Erven, 2019). In relation to risk management, human resources play two roles; they can be a source of risk and, at the same time, managers of risk to an enterprise (Erven, 2019). Human resources that can be potential sources of risks include; a shortage of desirable employees, employees doing sloppy work, refusing to work or take on additional responsibility, and sometimes employees who decide to leave just two months after completing a one-year training program. Employees can also serve as good managers of risk. These include those that used their ingenuity to solve unexpected problems, those taking additional responsibility for the organisation's benefits, and those redesigning their assigned responsibility to avoid unnecessary delays and save costs for the organisation (Erven, 2019). Correspondingly, these types of human resources are those that can be good managers of compliance risk. In fact, the COSO (2020) considered people as internal drivers of compliance risk management programs.

Consistent with this insight, empirical evidence from Melhem (2016) revealed a significant influence of human resources characteristics, including education, experience, and skills, on the risk management performance of the educational institution. The result showed that human resources that are highly expert, educated, and skilled positively impact risk management performance. More recently, Alamoudi (2022) considered human resources as a stakeholder in cyber risk management. The study highlights the role of human resources in managing cyber risk and recommends how cyber risk can be effectively managed through the support of human resource departments. Despite these insights from the literature on how human resources with high qualifications, skills, and experience support organisations in navigating the potential risks of non-compliance with laws and regulations, empirical evidence is lacking on the influence of human resources on compliance risk management within the body of available literature. Hence, the following hypothesis is postulated:

**H2:** *Human resources will have a significant positive relationship with compliance risk management.*

### 2.6 Professionalism and Compliance Risk Management

Professionalism can be described as a role executed by well-educated, experienced, and responsible officers toward informed decisions regarding organisational operations (Hyacinth & Yibis, 2017). Professionalism is achieved through training and professional development programs that uplift individual cognitive development, which improves internal capacity and moral obligation (Sarawa & Mas'ud, 2020). Consistent with this, Bates (2021) outlined six traits of professionalism with respect to risk management. This includes a character embodied in honesty, integrity, truthfulness, ethical conduct, and responsibility. There is also an attitude symbolised by initiative, determination, and a serving mindset, followed by engagement

characterised by active participation, provision of feedback, and volunteerism. There is a competency explained by training, skill, and expertise. Perhaps, there is also image-making and branding championed by maturity, loyalty, respect, confidentiality, and dependability. The last trait is continuous improvement, explained by continuous training and seeing setbacks as a continuous opportunity for learning. In risk management, professionalism is seen as a trait of risk managers as they possess special skills and abstract knowledge exclusive to their work, thus, having their own logic, experience, basic assumptions, and set of norms (Van Der Voort et al., 2019). Therefore, in line with COSO (2020), professionalism can be considered the internal driver of compliance risk management as relates to people and processes of professional development of compliance risk managers.

Documentary evidence from the literature revealed a connection between professionalism and compliance (Sarawa & Mas'ud, 2020). In public procurement literature, professionalism was found to be an important predictor of public procurement regulatory compliance (Sandada & Kambarami, 2016; Mwelu et al., 2018; Sarawa & Mas'ud, 2020; Okemwa & Ratemo, 2021). Specifically, in relation to risk management, Bates (2021) believed that professionalism is at the heart of achieving goals in safety and security, thus, proposing a link between professionalism and safety risk management. Therefore, an inference can be made from the literature that professionalism can significantly affect compliance risk management. In this, compliance risk managers with professional competence can better manage compliance risk. Although evidence is prevailing on the relationship between professionalism and compliance and risk management separately, specific empirical evidence is lacking on the influence of professionalism on compliance risk management. To bridge this identified gap in the literature, the following hypothesis is proposed to establish this scarce relationship:

**H3:** *Professionalism will have a significant positive relationship with compliance risk management.*

### 2.7 Information Technology and Compliance Risk Management

Information Technology (IT) affects all facets of business management, including ERM. In specific, IT architecture is used to support compliance risk management by managing compliance risk surveys, assessments, and related risk information, reporting, analysing, and modelling compliance risk and ethics (GRC Pundit, 2016). It was explained that IT assists companies in automating all risk management steps, from risk identification to monitoring (Selman, 2022). New IT systems such as Data Analytics, Big Data, cloud computing, Enterprise Resource Planning (ERP), governance risk management systems, and various forms of mobile apps have become essential for risk management. These systems assist companies in compliance risk management to reduce their risks further (Selman, 2022). In line with this, COSO (2020) considered technology a strong internal driver of compliance risk management.

Literature offered important insights into the potential relationship between IT and compliance risk management. GRC Pundit (2016) reported that technology, including IT, plays a crucial role in compliance risk management as organisations adopt various IT architectures such as compliance risk surveys, assessment, and risk analysis for better compliance risk management. Furthermore, Ridhwan et al. (2014) proposed using IT through Big Data to enhance Shari'ah Compliance Risk Management (SCRM). Ridhwan et al. (2014) argued that the adoption of Big Data technology in risk management would open avenues for addressing non-compliance tendencies in SCRM. Consistent with this, Selman (2022) opined that although IT has impacts on various areas of human life, including learning, marketing, business, entertainment, and

politics, it also has a tremendous impact on compliance risk management since it has largely relied on the usage of data, particularly Big Data. Additionally, Wiesche et al. (2011) concluded that IT impacts accounting especially through Governance, Risk Management, and Compliance (GRC). However, despite these insights from the literature, empirical evidence is not commonly available on the influence of IT and compliance risk management. Hence, the following hypothesis is proposed to provide empirical evidence for this relationship:

**H4:** *Information technology will have a significant positive relationship with compliance risk management.*

### 2.8 Financial Risk and Compliance Risk Management

Financial risks have been described as risks regarding strategic areas of financial management, including credit risk, market risk, operational risk, and investment-management risk (Gijselaers & Milter, 2010). Boegelein and Grueter (2021) posit that organisations should have both financial stability and liquidity due to a fast-changing global environment considering the emerging financial risk. Reducing financial risk through financial stability and liquidity has the potential to produce the right outcomes that might include acceptable compliance risk management depending on continuous rigour in governance, models, and processes across the finance function (Boegelein & Grueter, 2021). In specific, COSO (2020) compliance violations by firms mostly lead to the imposition of fines, penalties, civil settlements, or similar financial liabilities to the firms. There is fear of this outcome from external stakeholders, especially regulators, and enforcers, which will force firms to commit themselves towards effective compliance risk management so as to avoid those financial risks.

Literature highlights the possible relationship between financial risk and compliance risk management. Externally, financial risks such as those relating to financial crises were found to have a link with compliance risk management. In this, Losiewicz-Dniestrzanska (2015) posited that one of the key effects of financial crises experienced worldwide was making banks and other financial institutions pay closer attention to compliance with the regulations. A similar conclusion was drawn by Blome and Schoenherr (2011), who documented those changes in supply chain companies with respect to risk management approaches are influenced by financial crises experienced by such firms. This implied that firms associated with external financial risk be more likely to pay closer attention to compliance risk management.

More specifically, Zoet et al. (2009) highlight the link between financial risk, which is a form of operational and compliance risks. Particularly, Zoet et al. (2009) posited that while operational risks are internal risks, compliance risk is external, and the former could predict the latter. Consistent with this, Wulf (2020) reported that risk control, such as financial risk, is intrinsically internal to the organisation. In contrast, compliance, such as compliance risk management, is tied to external regulatory bodies. Therefore, firms need to design their mitigation measures against internal risks, including financial risks, in such a way as to mitigate external risks, particularly compliance risks. Despite this insight from the literature on the possible link between financial risk and compliance risk management, by depicting that firms associated with high financial risk will be more likely to pay closer attention to compliance risk management, empirical evidence is lacking in the literature. Thus, the following hypothesis is developed:

**H5:** *Financial risk will have a significant positive relationship with compliance risk management.*

### 2.9 Legislation and Compliance Risk Management

Legislation has been considered a phenomenon that has the potential to shape and alter the operating landscape of business dramatically in approximately every industry (Jones, 2013). In

the field of corporate governance, for example, legislation such as the Sarbanes-Oxley Act of 2002 (SOX) was passed into law in the United States with the aim of enhancing organisational transformations (Jones, 2013). Consistently, many countries developed their corporate governance codes to shape their corporations' behaviours. Based on the relevance of legislation to compliance risk management, COSO (2020) identified legislation as one of the external drivers of compliance risk management. Specifically, COSO (2020) posited that the most obvious external factors are those relating to the legal, regulatory, and enforcement landscape pertaining to the changes in local or regional laws and regulations.

Interestingly, literature documents that legislation, especially those relating to corporate governance, had a link with ERM (Renzi & Vagnani, 2020). In relation to this, Renzi and Vagnani (2020) asserted that nowadays, most corporate governance rules deal mostly with the availability of integrated risk management systems at the firm level to communicate the firm ERMs' outcomes to external stakeholders. Although the body of extant literature did not provide much evidence on the specific link between legislation and compliance risk management, much has been provided concerning corporate governance legislation and ERM. For instance, Kleffner et al. (2003) revealed that corporate governance legislation remains one of the most important factors that often influence firms to adopt the ERM process. Similarly, Renzi and Vagnani (2020) asserted that for firms to adopt depends on internal and external pressures mounted on it, with the majority originating from such pressures emanating from corporate governance rules.

Furthermore, PricewaterhouseCoopers (2008) disclosed that corporate governance rules and external regulations in Finland influence firms' adoption decisions concerning ERM. Moreover, legislation with respect to corporate governance can be linked to risk management so as to assist firms in better understanding risks, then assessing, managing, and mitigating such risks in the most suitable manner (Zahiruddin & Norlida, 2013; Maruhun, et al., 2018). This evidence implied that external legislation relating to compliance risk management would likely create external pressure, thereby making firms much more concerned about the effectiveness of their compliance risk management practices. However, despite much available evidence on the link between corporate governance legislation and ERM, which offers some significant insights, empirical evidence is lacking within the extant literature, specifically on the influence of legislation on compliance risk management. In addressing this gap, the following hypothesis is developed:

**H6:** *Legislation will have a significant positive relationship with compliance risk management.*

### 2.10 Public Opinion and Compliance Risk Management

Public opinion refers to those opinions held by private persons that governments find wise to heed (Key, 1961). Generally, within the larger society, people's views tend to influence predominant arguments within the public debate (Aerni, 2015) and eventually influence decisions. According to Smelser and Baltes (2001), the formation of public opinion can be understood from three perspectives. The first perspective focuses on the psychological analysis of qualitative variations about nature in which individuals understand, represent, and judge information. The second perspective shifts focus from individual understanding, presentation, and judgement to a detailed discourse on how concepts and values are constructed through democratic deliberation. The last perspective of public opinion relates to holistic terms. It contends that public opinion is an irreducibly collective phenomenon controlled by proportionately large-scale social forces. In essence, all these perspectives implied the relevance of public opinion in decision makings ranging

from individuals' level and democratic deliberations to a collective majority that leads to social forces. Therefore, consistent with COSO (2020), public opinion can be considered an external driver of compliance risk management since it is a source of external pressure for the firm to behave ethically through compliance with the relevant laws and regulations. COSO (2020) posits that other external factors may directly or indirectly affect compliance risk management. Thus, public opinion could be among them.

Some inferences can be made from the above submissions. For instance, Key's (1961) submission, which considered public opinion from the government perspective, can also be reflected in private firms, especially those in which various external stakeholders held an interest. It means that firms in which the public has an interest will find it prudent to heed public opinions held by private persons. To these firms, public opinion could be a source of external pressure to act in accordance with the public interest. Consistent with this, Jones (2013) opined that internal and external pressures cause firms to adjust their processes, structures, and strategies. Thus, external pressures through public opinion can influence firms to adjust their strategies, processes, and structures with respect to compliance risk management.

Specifically, with respect to ERM, Renzi and Vagnani (2020) asserted that internal and external pressures play a critical role in the firm's managing risks, considering several expectations emerging from a firm's stakeholders. Hence, public opinions could have undeniable positive or negative repercussions on firms (Malecki, 2012), thus, mounting external pressure which could force them to adjust their processes, strategies, and structures (Jones, 2013) to behave ethically by having a strong commitment towards compliance risk management. Further, Gao et al. (2021) argued that public opinion is an important driving force in relation to risk-related emergencies. This also provides some insights into the relevance of public opinion in risk management. While insights have been availed in the literature concerning the possible influence of public opinion on firm processes, strategies, and structures, which invariably include compliance risk management, empirical evidence is lacking on the effect of public opinion on compliance risk management. Hence, the following hypothesis is developed:

**H7:** *Public opinion will have a significant positive relationship with compliance risk management.*

### 2.11 Economic Condition and Compliance Risk Management

Kaufmann and Panni (2014) described the economic condition as an economic situation relating to the circumstances of economic growth or recession in a country as represented by the state of personal and collective welfare of citizens, consumers, or firms' operations. Hill (2022) asserted that there are constant changes in the economic environment in which firms operate. Such results in a significant change with respect to the economy's direction, which ultimately requires businesses to change their strategies. Consistent with this, Tomaszewski and Świadek (2017) stated that the economic situation is a significant determinant that mostly affects the decisions of firms on whether to undertake innovative activity. Considering that ERM is an innovation (Taran et al., 2013), the economic condition can affect firms' strategies with respect to risk management. In specific, the economic condition has been considered by COSO (2020) as a strong external driver of compliance risk management.

Several empirical evidence suggests that economic conditions affect firms and their strategies. For instance, Lowth et al. (2010) reported that economic recession could strongly affect firms' strategies. Consistently, Njoroge et al. (2016) opined that economic conditions could be a significant source of external pressure for firms, eventually affecting their performance. In fact, economic situations have been attributed to poor performance among firms (Kobia &

Mohamed, 2006), which could include compliance risk management-related performance.

However, despite the possible effects of economic condition on firms' performance (Kobia & Mohamed, 2006) and strategy (Lowth et al., 2010), there is a paucity of evidence on how economic condition affects compliance risk management. The little insights from the literature implied how the economic condition affects firms' innovation (Tomaszewski & Świadek, 2017). Thus, since risk management is considered an important part of firm innovation, a possible link between the economic condition and compliance risk management can be deduced from this inference. In support of this, the consideration of economic condition as an external driver of compliance risk management by COSO (2020) further supports this inference. Therefore, to provide empirical evidence on the relationship between economic conditions and compliance risk management, the following hypothesis is developed:

**H8:** *Economic condition will have a significant positive relationship with compliance risk management.*

### 2.12 Political Influence and Compliance Risk Management

Political influence has been described as one's ability to influence the decisions of others by feeling, thinking, and acting based on their intended plans (Banfield & Wilson, 2017). It was further explained by Banfield and Wilson (2017) that when a mayor uses a persuasive approach to convince voters to approve a bond issue, in that case, the mayor exercises influence. Similarly, when a business person promises support to the mayor and, in turn, induces the mayor to take action, in this case; also the businessman exercises influence (Banfield & Wilson, 2017). In politics of enforcement and compliance, Short (2021) explained that political influence depicts an association between the party affiliation of political principals within firms on the one hand and regulators' enforcement activities on the other. This, in essence, demonstrates that when the firms' principals have a strong political affiliation, there could be a high tendency to influence the compliance and enforcement activities of the regulators. Concerning compliance risk management, the insights from the politics of enforcement and compliance demonstrate that firms with political influence will likely be less active in compliance risk management as they will employ necessary avenues to influence regulatory and compliance activities. Consistent with COSO (2020), political influence can be considered part of external factors affecting compliance risk management.

It is important to note that there is consensus within the broader body of literature that "politics matters" in regulatory enforcement and compliance (Haines, 2011). Short (2020) explained that it is not new that politics influences compliance and enforcement of regulation. Further, Short (2020) argued that the political climate strongly shapes compliance expectations - it is common that political office holders often decline to enforce compliance with regulations in which they disfavour or overlook non-compliance in which they have an interest. A nexus has also been established between political influence and firm performance (Kobia & Mohamed, 2006), so also the connection between political influence and compliance with tax obligations (Abbas et al., 2017; Saad et al., 2021). In this, evidence showed that political affiliation has an adverse effect on tax compliance. Firms with political affiliation tend to depict a non-compliance attitude because their political connections will make officers lax in enforcing compliance.

Due to less evidence on the link between political influence and compliance, Short (2020) call for empirical researchers to dedicate effort to the examination of the relationship between *variations* in the political context and their influence on the enforcement of and compliance with the regulation. In line with this, there is a need to examine the relationship between political

influence and compliance risk management. Insights from the literature depict that firms with stronger political influence have higher tendencies to weaker compliance arrangements. Thus, in relation to compliance risk management, it is arguable that firms with political influence will be less likely to exert effort in compliance risk management. This means that the higher the political influence, the lower will be the firm's commitment to compliance risk management, thus, depicting a negative relationship. In congruence with this postulation, the following hypothesis is developed:

**H9:** *Political influence will have a significant negative relationship with compliance risk management.*

## 3. Research Method

This study aims to explore the perceptions of SST 2.0 compliance risks in Malaysia after its re-introduction in 2018 (after the abolishment of GST) and examine the influence of such risks, i.e. internal and external risks on compliance risk management. As depicted in Figure 2, the research model is designed to explore the extent of relationship between organisational work culture, human resources, professionalism, information technology, financial risk, legislation, public opinion, economic condition and political influence as independent variables and compliance risk management as dependent variable. In order to answer this objective, a quantitative approach which involves online survey was employed. Survey instruments were adapted from previous studies (Mahmood, 2012; ERC, 2019; Melhem, 2016; Sarawa & Mas'ud, 2020) using 5-point Likert scale.

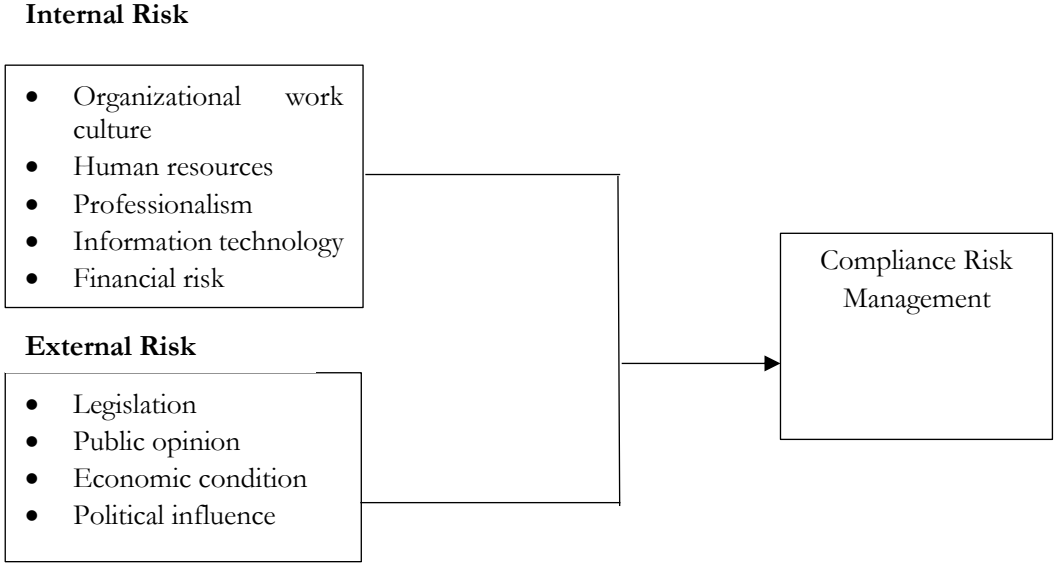



**Figure 2:** Research Model of Compliance Risk Management.

The survey questionnaires that were distributed to custom officers were divided into three main sections. The first section consists of compliance risk management of SST 2.0, of which the items used a 5-point Likert scale ranging from 'strongly disagree' to 'strongly agree.' Six (6) items were used to measure compliance risk management. Organisational work culture, human resources and professionalism were respectively measured by three (3) items. As for IT, financial risk, legislation and economic condition, four (4) items each were utilised to measure the variables. While public opinion and political influence were respectively measured by five

(5) items. The second section deals with the respondents' demographic information, including their age, gender, experience, ethnicity, level of education, and RMCD branch. The third section contains an open-ended question on compliance risk management, should there be further information available.

According to the RMCD Headquarters, 372 customs officers are dealing with SST 2.0 in Malaysia. Due to its manageable number, the whole population was used for the purpose of the online survey. Data from customs officials on SST 2.0 compliance risk management were collected using an online survey. Out of 372 populations, 171 responded and 156 questionnaires were found usable for further analysis after removing 15 irrelevant responses. Table 1 summarises the survey response rate. Data collected were analysed through Statistical Package for Social Sciences (SPSS) for demographic, descriptive analysis, and regression analysis.

**Table 1** Summary of Survey Responses.

| Description | Number | Percentage |
|---|---|---|
| Questionnaires Distributed | 372 | 100% |
| Returned Questionnaires | 171 | 46% |
| Usable Questionnaire | 156 | 42% |

## 4. Results and Discussion

This section presents the findings of the survey questionnaire regarding the compliance risk management of SST 2.0. First, the demographic profile of the respondents is illustrated. This is followed by descriptive results, preliminary and regression results on the surveyed data.

### 4.1 Demographic Information

Table 2 illustrates the demographic characteristics of the respondents. Of 156 respondents, 64 were males (41%), and 92 were females (59%). Concerning age, most respondents are between the ages of 35 and 44 (61%), while only 3% (5 respondents) are above 50. The respondents were also asked about their educational qualifications. The results indicate that the majority of them (68%) have a bachelor's degree, while 15% have obtained a postgraduate degree.

In respect of their division, 42% indicated that they are attached to the Internal Tax Department, while 48% are from the Compliance Management division. Meanwhile, the Customs Division and Enforcement have recorded 3% responses, respectively. In terms of job positions, 18% represent Senior Assistant Customs Directors, while 21% are Assistant Customs Directors. Additionally, Customs Officer represents 41%, and Assistant Customs Officer makes up 12%.

**Table 2** Demographic Information (n=156).

| | Frequency | Percentage (%) |
|---|---|---|
| Gender: | | |
| Male | 64 | 41% |
| Female | 92 | 59% |
| | | 100% |
| Age: | | |
| 25-34 | 34 | 22% |
| 35-44 | 95 | 61% |

| | Frequency | Percentage (%) |
|---|---|---|
| 45-55 | 22 | 14% |
| Above 55 | 5 | 3% |
| | | 100% |
| Educational Level: | | |
| Secondary School | 13 | 8% |
| Certificate | 7 | 5% |
| Diploma | 6 | 4% |
| Undergraduate | 106 | 68% |
| Postgraduate | 24 | 15% |
| | | 100% |
| Division: | | |
| Internal Tax | 65 | 42% |
| Compliance Management | 75 | 48% |
| Customs | 5 | 3% |
| Enforcement | 4 | 3% |
| Others | 7 | 4% |
| | | 100% |
| Job Position: | | |
| Senior Assistant Customs Director | 28 | 18% |
| Assistant Customs Director | 33 | 21% |
| Customs Officer | 64 | 41% |
| Assistant Customs Officer | 19 | 12% |
| Others | 12 | 8% |
| | | 100% |

### 4.2 Descriptive Results

Descriptive statistics focuses on the minimum and maximum scores for each item as well as the mean and standard deviation. The present study applied a 5-point Likert scale ("1 = Strongly disagree" to "5 = Strongly agree") and adapted Nik et al. (2010) interpretation of the level of score suggesting that scores of less than 2.33 are low level, 2.33 to 3.67 are moderate level, while 3.67 and above are considered as high level. The results answer the first research objective, that is, to explore the perceptions of SST 2.0 compliance risk in Malaysia.

The overall mean average value for compliance risk management is reasonably high at 4.10. The results indicate a high level of compliance risk management for SST 2.0. Individual items measuring the variable also indicate mean scores of 3.67 and above with standard deviation values between 0.74 and 0.92. Similar results are demonstrated for organisational work culture with a total average mean score of 4.23 and each item's mean score between 4.13 and 4.31. As for human resources, the reported mean score is the lowest (3.31) compared to the other factors. Although the respondents have high perceptions of technical knowledge of the SST 2.0 officers (with mean value of 4.40), lower means scores for the other two items related to the number of staff (mean value of 3.45) and allocations of staff (mean value of 3.31) indicate some concerns among them, which implies the risk exists in this area. In terms of professionalism, the reported total average mean score is 3.79. This result indicates that respondents highly perceived professionalism among the RMCD officers in handling SST 2.0 compliance risk management. Each item measuring professionalism also shows mean scores above 3.7 with standard deviation values between 1.01 and 1.06. The average mean score for IT of 3.50 indicates a moderate level of perceptions toward IT at RMCD in dealing with SST 2.0 compliance risk management. The respondents perceive the IT system at the RMCD really

supports the officers' work (mean value of 4.31). However, they have a lower perception of the RMCD budget for IT (mean value of 2.97). This result is in line with findings for financial risk which reported the overall average mean score of 3.57. The result indicates that respondents somewhat agree that there is a financial risk in the RMCD in managing the compliance risk of SST 2.0. This is especially indicated by the first item (mean value of 4.01) when the statement states, "RMCD faces an insufficient budget to improve infrastructure and expand capacity in dealing with SST 2.0".

The overall mean score for the legislation is 3.47. The mean score indicates that the RMCD officers perceived that the law and its enforcement related to SST 2.0 are at a moderate level. The overall mean score for public opinion is 3.35, which is the lowest mean score among the external factors (economic condition, political influence, and public opinion). Furthermore, the mean score signals that, on average, the respondents agree that public opinion is also one of the external threats to compliance risk management for SST 2.0. Meanwhile, the overall mean score for the economic condition is 3.78. This indicates that the RMCD has taken certain measures to control the underground economic activities or shadow economy. The descriptive result for political influence shows that the overall mean score is 3.69, which indicates that the respondents strongly agree that political influence contributes to compliance risk management in managing SST 2.0. Political influence is regarded as the external factor to affect compliance risk management in RMCD. Specifically, respondents feel that the political leaders appointed are important. This is followed by political volatility and instability that also contribute to low compliance levels among SST 2.0 payers. Summary of descriptive results is set out in Table 3.

**Table 3** Descriptive Results (n=156).

| Variables | Min | Max | Mean | Std. Deviation |
|---|---|---|---|---|
| Compliance Risk Management | 1 | 5 | 4.10 | 0.80 |
| Organisational Work Culture | 1 | 5 | 4.23 | 0.79 |
| Human Resources | 1 | 5 | 3.31 | 1.05 |
| Professionalism | 1 | 5 | 3.79 | 1.03 |
| Information Technology | 1 | 5 | 3.50 | 1.03 |
| Financial Risk | 1 | 5 | 3.56 | 1.09 |
| Legislation | 1 | 5 | 3.47 | 1.04 |
| Public Opinion | 1 | 5 | 3.35 | 1.17 |
| Economic Condition | 1 | 5 | 3.78 | 0.99 |
| Political Influence | 1 | 5 | 3.69 | 1.14 |

### 4.3 Preliminary Results and Multivariate Assumptions

The observation on preliminary analysis clearly shows that the data met the validity and reliability criteria which is a precondition for the regression model. The analysis includes principal component analysis (PCA) and Cronbach's alpha. Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity (BTOS) were used as validity measurement scales for each variable. According to Hair et al. (1998), KMO must exceed the threshold value of 0.5 in order to perform a good factor analysis. Table 3 shows that all the KMO for each variable lies between 0.60 and 0.87. Moreover, the BTOS show that all variables, which is 0.000 (less than 0.05), are significant and therefore valid for further analysis. As for Cronbach's alpha, the value nearer to 1.0 indicates high internal reliability and consistency (Cronbach, 1946), while the value of less than 0.6 is poor. The range of 0.7 is acceptable, while more than 0.8 is a good variable. Furthermore, Sekaran (2009) also mentioned that the result of the survey is good if Cronbach's

alpha is above 0.60. From the analysis, all variables for the study have Cronbach's alpha lying between 0.60 to 0.92 except legislation. The dependent variable, which is compliance risk management, shows the strongest internal consistency of reliability, which have Cronbach's alpha of 0.92. Among all independent variables, political influence indicates the highest value of Cronbach's Alpha, followed by information technology, professionalism, financial risk, public opinion, and organisational work culture. Legislation, which has Cronbach Alpha's value of 0.500, was retained for further analysis as the items do reflect the variable they are representing. Table 4 presents the detail of reliability and validity results of the study.

**Table 4** The Results of Reliability and Validity (n=156).

| Variable | No. of Items | Cronbach's Alpha | KMO | Total Var. Explained | Eigen-values | BTOS |
|---|---|---|---|---|---|---|
| Compliance Risk Management | 6 | 0.92 | 0.87 | 72.47 | 4.35 | 0.00 |
| Organisational Work Culture | 3 | 0.75 | 0.64 | 67.52 | 2.03 | 0.00 |
| Human Resources | 3 | 0.69 | 0.60 | 61.95 | 1.86 | 0.00 |
| Professionalism | 3 | 0.82 | 0.67 | 74.17 | 2.22 | 0.00 |
| Information Technology | 4 | 0.83 | 0.78 | 65.71 | 2.63 | 0.00 |
| Financial Risk | 4 | 0.81 | 0.78 | 63.78 | 2.55 | 0.00 |
| Legislation | 3 | 0.50 | 0.60 | 40.78 | 1.22 | 0.00 |
| Public Opinion | 5 | 0.78 | 0.74 | 54.13 | 2.71 | 0.00 |
| Economic Condition | 4 | 0.69 | 0.66 | 58.03 | 2.32 | 0.00 |
| Political Influence | 5 | 0.86 | 0.77 | 63.48 | 3.17 | 0.00 |

The multivariate assumptions, that is normality and multicollinearity, were also taken into consideration. The values of skewness and kurtosis were observed for normality test where result illustrate the skewness scores ranged from -0.737 to 0.575 with a standard error of 0.194, while kurtosis values ranged from -0.314 to 2.026 with a standard error of 0.386. This indicates that the data is normally distributed (Kline, 2011; Hair et al., 2010). As for multicollinearity test, tolerance value and variance inflation factor (VIF) were observed, where the values of tolerance ranged between 0.589 and 0.776, and the values of VIF range from 1.289 to 1.699. The figures met the rule of thumb suggested by Hair et al. (2021) and Pallant (2007) and therefore, could be concluded that there is no multicollinearity problem.

### 4.4 Multiple Regression Result

The adjusted $R^2$ Square of 0.49 of the current model is considered substantial as it is greater than 26% as recommended by Hair et al. (2021). The result signifies that the constructs under study can explain the variance in compliance risk management for SST 2.0 by 49%, and the remaining 51% is unknown variance. Table 5 presents the path coefficients between independent variables and dependent variables, which is compliance risk management. The first hypothesis (H1) proposes that there is a significant positive relationship between organisational work culture and compliance risk management. The result of $\beta = 0.36$, $t = 2.53$, and p-value of less than 0.05 implies that the hypothesis is supported. The results show that the stronger the organisational work culture, the better would be the compliance risk management. The result is consistent with the previous studies by Gorgoń et al. (2019) and ERC (2019).

The second hypothesis (H2) stipulates that human resources will significantly influence compliance risk management in positive manner. The postulation is supported as indicated in

Table 5 (β = 0.25, t = 2.46, p = 0.015). The result indicates that the stronger the human resources, the better the compliance risk management would be, and this is consistent with documented evidence by Melhem (2016) and Alamoudi (2022). The third hypothesis (H3) suggests that there is a significant positive relationship between professionalism and compliance risk management. This hypothesis is supported with the β = 0.22, t = 2.41, p = 0.017. The result implies that high professionalism of the employees will lead to better compliance risk management. The result provides support to the previous studies by Sandada and Kambarami (2016), Mwelu et al. (2018), Sarawa and Mas'ud (2020), and Okemwa and Ratemo (2021). Next hypothesis (H4) stipulates that IT will have a significant positive relationship with compliance risk management. As shown in Table 5, the result provides support to that postulation, with a p-value of less than 0.01, and the β = 0.72, t = 9.46. Information technology is found to have the strongest relationship towards compliance risk management. The result not only supports the previous studies (GRC Pundit, 2016; Selman, 2022), but also reflects how the IT would assist compliance risk management in RMCD. The fifth hypothesis (H5) proposes that financial risk will significantly influence compliance risk management in positive manner. This hypothesis is supported with β of 0.19, t-value of 1.95 and p-value of less than 0.10. The result is consistent with Blome and Schoenherr (2011) which documented that firms associated with high financial risk will be more likely to pay closer attention to compliance risk management. The sixth hypothesis (H6) claims that legislation will have a significant positive relationship with compliance risk management. The result as set out in Table 5 (β = 0.24, t = 1.90, p = 0.060) provides support to the hypothesis and is consistent with previous studies by Zahiruddin and Norlida (2013) and Maruhun et al. (2018). The next hypothesis relates to the relationship between public opinion and compliance risk management. The hypothesis that proposes a positive relationship between the variables is not supported with its β = 0.06, t = 0.09, p = 0.366 and inconsistent with Jones (2013). The results indicate that public opinion will not support compliance risk management of RMCD. This could be due to lack of information available to the public (or perhaps the public themselves who are not keen on the issue) that limits their ability to express their views and eventually be heard. The eighth hypothesis (H8) stipulates that economic conditions will have a significant positive relationship with compliance risk management. The hypothesis is supported with reference to its β = 0.24, t = 2.52, p = 0.013 as set out in Table 5. Impliedly, the results indicate that good economic condition will lead to good compliance risk management as suggested by COSO (2020).

The final hypothesis relates to the relationship between political influence and compliance risk management. The hypothesis that proposes a negative relationship between the variables is not supported with its β = 0.02, t = 0.37, p = 0.715 as illustrated in Table 5. This is inconsistent with Haines (2011) and Short (2020) who claimed that political influence did have influence on compliance risk management. The possible explanation to the results could be due to instability of the political setting in Malaysia itself, at least from 2018 to 2023.

**Table 5** Multiple Regression Results (n=156)

| | **Unstandardised Coefficients** | | **Standardised Coefficients** | | |
|---|---|---|---|---|---|
| | β | Std. Error | β | t | Sig. |
| Constant | | | | | |
| Organisational Work Culture | 0.36 | 0.14 | 0.17 | 2.53 | 0.013** |
| Human Resources | 0.25 | 0.10 | 0.15 | 2.46 | 0.015** |
| Professionalism | 0.22 | 0.09 | 0.15 | 2.41 | 0.017** |
| Financial Risk | 0.19 | 0.10 | 0.13 | 1.95 | 0.053* |
| Information Technology | 0.72 | 0.08 | 0.59 | 9.46 | <0.001*** |

| | | | | | |
|---|---|---|---|---|---|
| Legislation | 0.24 | 0.13 | 0.12 | 1.90 | 0.060* |
| Public Opinion | 0.06 | 0.07 | 0.07 | 0.91 | 0.366 |
| Economic Condition | 0.24 | 0.09 | 0.17 | 2.52 | 0.013** |
| Political Influence | 0.02 | 0.06 | 0.03 | 0.37 | 0.715 |

**Note: ***$p<0.01$, **$p<0.05$, *$p<0.10$

R square = 0.59, Adjusted R Square = 0.49, F-statistic = 25.898 Sig. at 0.000

## 5. Conclusion and Implication

This article examines the influence of internal and external risks on compliance risk management of RMCD in relation to SST 2.0. Prior to that, the current state of compliance risk management and related risks is observed. Based on the descriptive findings, the respondents perceived that the risk was managed successfully by the RMCD. In terms of internal risk, it appears that organisational work culture, professionalism, and financial risk are well-managed and controlled. Every standard of procedures and line of authority is clear, and communication among staff is encouraged. As for information technology and human resources, they are considered a moderately controlled risk. The systems should be maintained and updated to cope with SST 2.0. Similarly, a concern was raised with regard to the proper planning for staffing, failing which may pose a risk to SST 2.0 administration. With regard to external risk, it appears that economic condition and political influence did not really have a great deal on compliance risk management, but public opinion might pose some risk.

Results from regression analysis on the relationship between the identified risk and compliance risk management indicate that all the internal factors (organisational work culture, human resources, professionalism, information technology, and financial risk) have significant relationships towards compliance risk management of SST 2.0. At the current stage, the role of internal factors seems more important than external factors if the RMCD would like to improve the compliance risk management of SST 2.0. Similarly, the role of legislation and economic condition on the compliance risk management of SST 2.0 were also found significant from the analysis. The external factors are probably difficult to control. However, it is recommended that the RMCD has a backup plan or strategies to mitigate the unwanted effects of SST 2.0 compliance risk. Public opinion and political influence were found not to have a significant relationship towards the SST 2.0 compliance risk management. It should be noted that the survey respondents were among the RMCD officers, who were not from the managerial level. Therefore, their perceptions of these two factors were probably different from the managerial level as well as from the outsiders.

It is timely to conduct this study considering the SST 2.0 introduction in Malaysia. Recognising compliance risk is critical for SST 2.0 in ensuring high compliance. Further, the findings on the significant factors influencing management would be essential to the tax authority. This information provides a good basis for the tax authority to strategise on mechanisms to manage the compliance risk of SST 2.0 efficiently. Theoretically, this study would add to the limited literature available and extend the knowledge boundary on compliance risk study in the region.

## 6. Limitation and Suggestion for Future Study

This study is not without its limitations. First is the use of self-reporting survey, which may create bias among respondents. However, measures were taken to reduce such issues. For instance, respondents were reminded that their responses would be reported collectively rather

than on an individual basis. The study is also limited to custom officers only. However, it is important to note that considering the early implementation of SST 2.0, they might be the most relevant and appropriate group to share the views.

The findings and observed limitations provide insights into the potential for future studies. First, researchers may consider a survey involving companies or SST 2.0 taxpayers to seek their views on the matter. Second, a case study on a few companies involved in SST 2.0 in Malaysia would be interesting in order to understand the challenges faced by taxpayers and tax authorities.

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