

CONSUMER PURCHASE BEHAVIOUR AND KNOWLEDGE TOWARD
IMPLEMENTATION OF SALES AND SERVICES TAX (SST)

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DECLARATION

“I hereby declare that this thesis entitle “Consumer Purchase Behaviour and Knowledge Toward Implementation of Sales and Services Tax (SST)” is my own work except for the quotations summaries that have been duty acknowledged”

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DEDICATIONS

This thesis is dedicated to my beloved parents Mr. Soung Bee Kiat and Mrs. Goh Choon Lian who unconditionally supported, motivated and encouraged me to complete my research as well as my studies as the student of Universiti Teknikal Malaysia Melaka (UTeM).

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ABSTRACT

Sales and Services Tax (SST) has been commenced since 1970's then had been replaced to Goods and Services Tax (GST) on year 2015 which is more comprehensive and efficient. However, after the Malaysia 14th general election, GST had replaced with SST by the new government which is under Alliance of Hope administration. The purpose SST implemented is to assist the low income earner (B40) in term of cost of living. Based from the past research show that there are two factors that caused the implementation of GST failed in Malaysia which are consumer purchase behaviour and consumer knowledge. The purpose of this study is for researcher to identify whether implementation of SST will affect the consumer purchase behaviour as well as consumer knowledge toward the tax. Therefore, the relationship of consumer purchase behaviour and consumer knowledge with implementation of SST was test in order to evaluate each of variables toward implementation of SST. Survey had been distributed then collected among Melaka citizen who live in Melaka via online questionnaire (Google Form). The data then will be analyses with Statistical Package For Social Science (SPSS) for descriptive analysis, correlation analysis and multiple linear regression analysis. The data results show that both of the variables has significantly influence toward implementation of SST. However, consumer knowledge is the most influential factor toward implementation of SST in Melaka.

Keywords: Tax, Sales and Services Tax (SST), Goods and Services Tax (GST), consumer purchase behaviour, consumer knowledge.

ABSTRAK

Cukai Jualan dan Perkhidmatan (SST) dilaksanakan sejak 1970' an kemudian digantikan dengan Cukai Barangan dan Perkhidmatan (GST) pada tahun 2015 di mana cukai ini lebih menyeluruh dan cekap. Namun, selepas pilihan raya umum yang ke-14, GST telah digantikan dengan SST di bawah naungan kerajaan Pakatan Harapan. Tujuan SST dilaksanakan adalah untuk membantu golongan berpendapatan rendah B40 dalam bentuk kos sara hidup. Kajian lepas menunjukkan bahawa terdapat dua faktor yang menyebabkan GST gagal dilaksanakan iaitu kelakuan pembelian pengguna dan pengetahuan pengguna. Tujuan kajian ini adalah untuk pengkaji mengenalpasti sama ada SST akan memberikan kesan terhadap kelakuan pembelian pengguna dan pengetahuan pengguna terhadap cukai. Oleh itu, hubungan kelakuan pembelian pengguna dan pengetahuan pengguna dengan pelaksanaan SST akan dikaji oleh pengkaji untuk menilai setiap pembolehubah kajian terhadap pelaksanaan SST. Soal selidik diedar dan dikumpul semula dalam kalangan penduduk Melaka. Kajian ini dilaksanakan melalui soal selidik dalam talian iaitu Google Form. Pengkaji menggunakan Statistical Package For Social Science (SPSS) untuk analisis deskriptif, analisis korelasi dan analisis regresi berganda linear. Keputusan data menunjukkan bahawa kedua-dua pemboleh ubah mempunyai pengaruh yang ketara terhadap pelaksanaan SST. Walaubagaimanapun, pengetahuan pengguna mempunyai pengaruh yang ketara terhadap pelaksanaan SST di Melaka.

Kata Kunci: Cukai, Cukai Jualan dan Perkhidmatan (SST), Cukai Barangan dan Perkhidmatan (GST), kelakuan pembelian pengguna, pengetahuan pengguna.

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LIST OF ABBREVIATION

ABBREVIATIONS	=	MEANING
ANOVA	=	Analysis of variance
B40	=	Bottom 40
CPB	=	Consumer Purchase Behaviour
CK	=	Consumer Knowledge
EEC	=	European Economic Community
EU	=	Europe Union
GDP	=	Gross Domestic Product
GST	=	Goods and Services Tax
IRBM	=	Inland Revenue Board Malaysia
M40	=	Middle 40
MATA	=	Malaysian Association of Tax Accountants
MAB	=	Malaysian Association of Blind
MIDF	=	Malaysia Industrial Development Finance Berhad
MoF	=	Ministry of Finance
RMCD	=	Royal Malaysia Customs Department
SSM	=	Suruhanjaya Syarikat Malaysia (Companies Commission of Malaysia)
SPSS	=	Statistical Package Social Sciences Software
SR	=	Standard Rate
T20	=	Top 20
UNESCO	=	United Nations Educational, Scientific and Cultural Organization
VAT	=	Value Added Tax
ZRE	=	Zero Rated

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CHAPTER ONE

INTRODUCTION

Sales and Services Tax (SST) commenced after the 14th general election on May 9th 2018 that won by the “Pakatan Harapan” (Alliance of Hope) to replace the Goods and Service Tax (GST) which believe causing the inflation and high cost of living among the Malaysia consumers (Wong & Eng, 2018). SST is a part of Malaysia indirect tax that which been levied before GST implemented. Now SST had been reformed and commenced on 1st September 2018 by Ministry of Finance (MoF) announcement. SST is the single stage consumption tax that levied toward the Malaysia manufacturer and consumer level. The SST tax system will adopt the previous tax act with some variations where SST will apply separately toward goods and services respectively. SST was the two separate tax which imposed toward the certain category of goods and services that been levied by Royal Malaysia Customs Department (RMCD). Sales Tax was the tax that been imposed toward the manufacturer or importers with 5% and 10% tax toward prescribed goods while service tax is 6% tax that been imposed toward any service extend (Elalingam, 2018). The failure of GST due the tax imposed giving a hard time for the consumer in term cost of living when the government strengthening the self-enforcement of the tax (Pomeranz, 2015, de Paula and Scheinkman, 2010). Besides, GST failed due to the consumer did not have much knowledge about the tax system operate and the concerns of certain people regarding the increasing price on goods and services which belief bring more burden for the Malaysian consumer to survive. SST implemented by Malaysia government which belief to help the Malaysia consumer in term of cost of living and increase the consumer purchase power. Moreover, with

the implementation of SST, it will shape consumer purchase behaviour and choices when they make retail purchases.

1.1 Background of Study

Malaysia consists of multiracial people by practising the democratic principle in developing the peace, harmony and dynamic economy among the Malaysia nation. By practising the democratic principle, Malaysia people have the right to make their own choice and decision in their living. In the economic aspect, according to World Bank (2018), Malaysia has successfully diversified the economy from agriculture to become a leading exporter in electrical appliances, electronic parts and components. Since 2010, Malaysia knows as one of the most open economies in the world with 140% of GDP (Gross Domestic Product) ratio-less debt by welcoming the investors for investment which link to the growth of employment and income. Tax main *raison d'être* was to improve a country infrastructure, economy and overcome the administrative expense of the country. It also contributes to a country economy sustainability and development which represent the reflection of the country. A tax that been implemented in Malaysia was a direct tax and indirect tax to help the government to generate the tax revenue.

According to Shaari, Ali & Ismail (2015), based on the Malaysia economic situation, tax revenue becomes crucial indicators to help the government to generate government total revenue compared to other sources. In Malaysia taxation system also included direct tax and indirect tax which have both difference impact toward Malaysia nation especially indirect tax. Optimize the taxation (Atkinson, 2014) on indirect tax by transition the GST to SST (tax imposed toward every supply chain-consumer to single stage taxation) believe had caused lots of controversy among people in Malaysia especially the consumer who bound to charge by the tax. Implementation of SST believe will influence the consumer decision making in retail purchase regard to the tax that been imposed toward the prescribed goods and services. This will influence the consumer choices in a variety of ways when the presence of the tax making the consumer aware it (Olivola & Sussman, 2015).

Consumers spending are known as the greater category in spending by representing 66.67% of total spending and consumer behaviour determined the country economic situation (Zabri, Ahmad & Tham, 2016). So it can be shown that consumer behaviour can make the changes in country policy especially the implementation of SST. Besides, the implementation of GST will bring an impact on the majority of consumer's spending behaviour after been examined and the researcher believes the same condition happened on the implementation of SST. Sales taxes are not listed on the goods price eventually they added the tax on the price of goods and services where the consumer did not aware it the moment they purchase it (Olivola & Sussman, 2015). Consumer aware the presence of the tax imposed and when they purchase the product, they will make the overall decision based on the price that they required to pay and observe the amount of the tax that been applied. The additional cost and tax presence reduce consumer purchase power. In addition, the study that been conducted also provide advantageous insight regard to Malaysia consumer distribute their income which reflects their consumption patterns (Chong et.al, 2006).

Generally, Malaysia consumer knowledge toward Malaysia indirect tax (GST) is low (Zabri, Ahmad, Tham, 2016) which belief will make an impact on the success of the implementation of SST. This will cause the consumer to have a low confidence level toward SST that pursuit by the Malaysia government. The consumer knowledge on Malaysia Tax (GST) depends on consumer awareness and acceptance toward the implementation of GST tax which will bring the same impact toward the SST. Even though GST has been introduced and promoted by the Malaysian government regard to GST understanding on the introductory level, however, it failed delivered (Tan & Chin-Fat, 2000). This condition will reflect on the implementation of SST where Malaysian government take the initiatives held the seminar and promote the introductory of SST and the concept to all the business and consumer of Malaysia. Increasing consumer knowledge on tax is essential to gain public awareness and confidence (Cullis & Jones, 1992) toward the reformed tax especially the SST. This SST taxation will involve the Malaysian public's expenditure such as new reform tax creates dubiety of future expenditure.

Even though there are many initiatives that been taken by the Government Malaysia in introducing the SST but the consumer knowledge level on the SST has the relationship toward a consumer purchase behaviour. Besides, the implementation of SST also will bring an impact on consumer purchase behaviour and decision making in term of spending pattern toward the goods and services.

1.2 Problem Statement

The implementation of GST was believed will burden the people of the country (Zabri, Ahmad & Tham, 2016) where there are rising issues from many affiliations party regard to increasing price on goods and services. According to Abdullah, Idrus & Mehat (2013), data results showed that more than half of the respondents do not fully understand the GST since it implemented in 2015. This is because they did not fully comprehend the justification of GST (Shamsuddin et.al, 2014) which caused the Malaysian consumer do not have full confidence on government (Saira, Zariyawati & Yoke-May, 2010). SST had been officially implemented on 1st September 2018 with the purpose to replace the GST which affected Malaysian consumer in term of spending as the result raise negative feedback from them. Therefore the research will be conducted to investigate the consumer knowledge level on reformed SST which plays a crucial part in consumer purchase and decision making changes.

Generally, a 6 % tax imposed by GST on every supply chain or production line had to cause the increment price on goods and services and consumer awareness of the presence of the tax imposed. As an example, when they want to purchase the product, they will make a decision based on the overall price and charges that applied by a tax (Olivola & Sussman, 2015) then they will decide on the quantities of the goods. The presences of the tax will cause the consumer purchase power becoming low where they have to consider before purchase the goods or services. The implementation of SST is believed to assists the consumer in term low cost of living and high purchase power. Therefore, researcher would like to identify the

impact of SST on consumer purchase behaviour and decision making in term of goods and services volumes.

Knowledge and consumer spending are the crucial components for the SST that been implemented in Malaysia. It will decide whether the tax that been reformed by the Government of Malaysia able to assists the consumer to have a better living and high economic performance in future.

1.3 Research Questions

Research questions are the questions to allow us to centre our research and it is an essential part of the research process. By developing the research questions it provides us with the path through the research and writing process. By specifying the clear, focused, concise, complex and arguably research questions where it pilots us to identify the problem in reporting the results. Below are the research questions regarding consumer purchase behaviour and knowledge toward implementation of SST:-

1. What is the consumer knowledge level on SST that implemented in Malaysia?
2. What are the impacts of SST implementation toward consumer purchase behaviour and decision making?
3. Which factor has the most influential toward implementation of SST?

1.4 Research Objectives

Researches objectives are the critical components of successful research by narrow or focus the research and ensure the finding are relevant to decision makers. A presented briefly, concise, logical sequence, realistic, phrased operational term and use an accurate action verb to specific the research study. Research objectives also pilot in us all aspect of methodology which includes instrument design, data collection, analysis and the recommendations. Below are the research objectives that use to pilot during the research study.

1. To investigate consumer knowledge level on SST.
2. To identify the impact of SST on consumer purchase behaviour and decision making on goods and price quantities.
3. To identify which factor have the most influential toward implementation of SST.

1.5 Scope and Limitation

1.5.1 Scope of Research

The main purpose of this research is to investigate the consumer knowledge of SST in Malaysia. The knowledge level of the consumer on SST will be conducted on the survey to collect the data analysis results. The consumer knowledge toward the Malaysia indirect tax will influence the consumer purchase behaviour and decision making. Besides, this research helps the researcher to comprehend the consumer know which will affect the consumer acceptance and confidence toward the government.

Besides, this research is to identify the impact of SST on consumer purchase behaviour and decision making on goods and price quantities. Where the tax that been imposed will affect the price toward goods and services. The consumer will be an overview of the price of the goods and services before making the purchase decision. Consumer aware the presence of the tax imposed and when they purchase the product, they will make the overall decision based on the price that they required to pay and observe the amount of the tax that been applied. This research helps the researcher to identify whether the consumer purchase behaviour will change drastically on SST that carry on in Malaysia compare to GST. In addition, this research also to help researcher to identify which of the variables that affect the implementation of SST is the most.

To achieve the given objective for this research, Melaka areas had been chosen for the research. The target respondents will be among the Melaka citizen who consists of household and students who are the consumers involved in bargaining the goods and services. Moreover, by targeting these two categories, the researcher believes the result that responded by them will be more credible. Furthermore, the respondents result easier to gains through data collections.

1.5.2 Limitation of Research

There are few limitations have been found during conducting the research. Firstly, the researcher found out that there are lots of research had been done related to GST in Malaysia compare to SST that been implemented a long time ago. The researcher only found a few of research regards to SST that recently commenced. Most of the journals and articles that researcher found all about the GST. Next, the researcher found out that that recently reformed SST system was vast and keeps changing according to business entities or dealer acceptance toward this tax system.

Furthermore, in order to achieve the objective one regards to the consumer knowledge level toward implementation of SST, the researcher will be using the survey questionnaires to collect the data and researcher assumed that all respondents have provided the correct answer earnestly. Lastly, the researcher assumed that all the respondents have sufficing knowledge and experiences in answering the provided questionnaires on the field of research topic above.

1.6 Significance of the Study

Although SST had been implemented before in Malaysia, the consumer knowledge level toward SST are unknown where researcher believe it will affect the success of the implementation of SST in Malaysia. According to Dhesi (2018), GST failed due to the price of the goods and services will be affected where researcher believe when SST enforce there will be a spike which concludes every charge of the cost toward goods and services. To investigate the issues above, based from the objectives the researcher decides to utilizes the data collections from consumer respond regards to their SST knowledge, purchase behaviour and decision making in term drastically, remain the same or slightly change (J. Lim, 2018; Palil & Ibrahim, 2015; Shaari, Ali, & Ismail, 2015; Zheng Zhou, Tam, & Heng, 2013).

The reason why researcher choosing this topic due to the issues of the current general 14th election that been held in May 2018 had made the massive change