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Motivators, Barriers and Concerns in Adoption of Electronic Filing System: Survey Evidence from Malaysian Professional Accountants

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Abstract: Problem statement: Worldwide, electronic filing (e-filing) system and its' adoption has attracted much attention, however, scholarly study on accounting professionals' acceptance of e-filing system is scant. **Approach:** This study aimed (i) to examine factors that motivated professional accountants to use e-filing (ii) to solicit their usage experience and (iii) to assess the barriers to adoption and other compliance considerations. The questionnaire survey was administered on 700 professionals from tax practice and commercial sectors who attended "Budget 2008" Tax Seminars, organized by the Malaysian Institute of Accountants in Peninsular Malaysia. In total, 456 usable responses from accounting and tax professionals were collected and analyzed. **Results:** The survey found out of 456 respondents, just 23.7% had used e-filing in 2007 to file personal tax return forms. Majority of the e-filers opted to use e-filing for the sake of convenience (55.8%), in faith to get faster tax refund (16.8%) and speed of filing (15.9%). For those who did not use e-filing, the key impediments were concerned over the security and did not trust of e-filing system. Some (4.8%) were unable to access to the e-filing website. Overall, just 26.1% of the professionals surveyed had confidence in the IRBM in managing the e-filing system successfully. Majority (41.2%) thought that 'speedy tax refund' to be the most desirable incentive to motivate individuals to use e-filing. **Conclusion:** As the IRBM is counting on professional accountants to promote the usage of e-filing system, this study provided important insights to the IRBM to developing marketing and business strategies to motivate professional accountant in business to use e-filing in order to accelerate the diffusion of e-filing system in a developing country like Malaysia.

Key words: Electronic tax filing, motivators, barriers, professional accountant, Malaysia

INTRODUCTION

Worldwide, since the 1990s, in order to achieve greater tax administrative and compliance efficiency, several tax authorities had progressively harnessed the power of Internet technologies by embracing an electronic tax filing (e-filing) system (ACCA, 2002; ETAAC, 2002). In most countries, e-filing is not mandatory rather it is offered as an option to taxpayers and their tax representatives, as a result, worldwide, several studies found tax users' resistance to use e-filing system remains a widespread problem (ACCA, 2002; ETAAC, 2007; Hansford *et al.*, 2006; Hung *et al.*, 2006; Tan *et al.*, 2005). Although, the e-filing system may offer potential benefits to improve administrative compliance efficiency, the benefits gained may be obstructed by tax users' unwillingness to accept and use the new tax technology. In essence, the move to adopt

an e-filing system is neither hassle free nor well accepted by all tax parties, particularly the tax agents and professionals. However, tax professionals' acceptance is deemed a necessary condition for the success of the e-filing system. In developed countries like Australia, Canada, the UK, US and New Zealand, several studies have been conducted to examine tax practitioners' acceptance of e-filing (ACCA, 2002; ETAAC, 2002; Hansford *et al.*, 2006; Russell Marketing Research, 2003). For example, in the US, it was found that American tax professionals vary widely in their attitudes, technology readiness, acceptance and utilization of e-filing technologies (ETAAC, 2002). In addition, the lack of perceived benefits, cost of compliance, lack of willingness to learn and perceived insecurities and misconceptions of the e filing service have impeded the tax professionals in the US from expending the resources to get involved (ETAAC,

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2002; 2007). In a similar vein, in the UK, the ACCA survey found that professional accountants have shown no confidence in online tax filing (ACCA, 2002). The Electronic Tax Administration Advisory Committee (ETAAC) is recommending to mandate certain taxpayers and tax practitioners to e-file personal and business tax returns in the US (ETAAC, 2007; 2009). In Singapore, study indicated that the government needs to restore public trust in e-filing and to blend socio-political strategies, technology and taxation together (Tan *et al.*, 2005).

On 10th February 2006, the Inland Revenue Board Malaysia (IRBM) had streamlined the tax administration policies to embrace an e-filing system. With the e-filing system, Malaysian taxpayers and tax agents can file income tax returns electronically via the enabling Internet technologies, rather than through mail or physical visits to the tax office. This may eventually make the art of filing tax returns as easy as possible. In the first year of implementation of e-filing system for individual taxpayers, in spite of the extension of the tax filing deadline by one month and a promise to get faster tax refund for e-filers; just more than 120,000 out of 4 million individual taxpayers opted to use e-filing; which represented only 3% of the total individual taxpayers (The Star, 2006a). It was reported that discomfort about e-filing technology and perceived insecurity of e-filing (Fatimah and Lai, 2008; Lai, 2006a) as well as lack of internet self-efficacy and skills are potential threats to the adoption of e-filing in Malaysia (The Star, 2006b). The number of taxpayers using e-filing had increased gradually from 538,558 (in 2007) to 881,387 in 2008 (The Star, 2009); however, several studies found e-filing has yet to gain momentum in Malaysia, especially the tax professional groups, although they are the intended users, majority have not used e-filing (Fatimah and Lai, 2008; Lai *et al.*, 2005). In essence, studies found that professional accountants (i.e., the professional tax preparers/practitioners) represent both a means of increasing compliance and also potentially a threat to compliance (Klepper and Nagin, 1989) and tax professionals are in a position to exercise a strong and direct influence on the tax administration and compliance processes (Erard, 1993; Newsberry *et al.*, 1993).

Empirical study provided the insights that that an e-filing system can only work effectively with the assistance and cooperation of tax preparers/professionals (Kahan, 1999). To be accepted, an e-filing system needs to be perceived by tax professionals as possessing sufficient usability for supporting or enhancing their core competency, productivity and business performance in providing tax

service to clients. At a minimum, an e-filing system must be capable of helping the tax professionals to complete tax preparation and filing processes quicker than the traditional paper filing method. If using the e-filing system can increase the speed of submitting a tax return, it will enhance job efficiency, save business time and cost (Lee, 2008). On the other hand, several studies found the applicability of modified technology acceptance model in predicting tax users' acceptance of e-filing system in Taiwan (Hung *et al.*, 2006; Fu *et al.*, 2006; Chang *et al.*, 2005), United States (Schaupp and Carter, 2008) and India (Ojha *et al.*, 2009). Hence, there is a practical need for the e-filing system to be accepted by the tax practitioners in order to boost the success rate of the e-filing system. However, traditionally, accountants and tax professionals were slow to adopt newer technologies until their worth was proven and their reliability was fully documented (Kocakulah and Grower, 2000; Skillman, 1998). However, at the time of study, little is known about Malaysian professional accountants' response towards e-filing. There are several concerns. Are Malaysian professional accountants willing to use the new tax technology? What are their e-filing experiences? What are the compelling incentives that the IRBM could offer to motivate professional accountants to use e-filing? What are the potential compliance issues that may arise pertaining to the e-filing system in the Malaysian tax setting? The move of the IRBM to adopt the e-filing system, plus the lack of empirical tax research from the perspective of professionals shaped the motivation for this study. The research objectives are presented next.

Research objectives: The objectives of the study are (i) to examine factors that motivated professional accountants to use e-filing (ii) to solicit their usage experience and (iii) to assess the barriers to adoption and other compliance considerations from the perspectives of professional accountants.

MATERIALS AND METHODS

A questionnaire survey was used to collect data. The target respondents were professional accountants in Malaysia; the professional accountants are the study subjects because they are the intended and potential users of e-filing system. The tax authorities are counting on them to use e-filing and to accelerate the diffusion of e-filing technologies nationwide. In the months of September and October 2007, Malaysian Institute of Accountants (MIA) had organized several "Budget 2008 Tax Seminars" in Peninsular Malaysia. With the assistance from the MIA organizing committees, questionnaires were administered on 700

participants who attended “Budget 2008 Tax Seminars” in Peninsular Malaysia. Responses from non professionals were excluded from data analysis, in total, 456 usable responses from professional accountants were analyzed and reported. All of them had professional qualification from the accounting bodies, such as the Association of Certified Chartered Accountants, Certificate of Public Accountant, Australia, Chartered Tax Institute of Malaysia, Cost and Institute Management Accountants and Malaysian Institute of Certified Public Accountants.

RESULTS AND DISCUSSION

Data analysis:

The respondents’ profiles: Table 1 presents the respondents’ profiles. Out of 456 respondents, majority of them were from central region (74.1%), 10.1% from Northern region and 15.8% from the Southern region of Malaysia. About 39% of them were males and 57% aged between 31 and 40 years old. In term of ethnicity, Chinese were the most notable participants, making up about 93.4%. All of the respondents possessed professional qualifications from various professional bodies such as the Association of Chartered Certified Accountants, Malaysian Institute of Certified Public Accountants, Malaysian Institute of Taxation and Certified Practicing Accountants, Australia. About 63.2% of them filed Form BE in 2007, which indicated that they are salaried individuals. The remainders (36.8%) filed Form B in 2007; hence indicates that 36.8% of the survey respondents were professional accountants in business or in practice.

Table 1: The respondents’ profiles

	Profiles of those who had e-filed successfully	Frequency (%)
Location		
Central region	79 (69.9)	338 (74.1)
Northern region	18 (16)	81 (10.8)
Southern region	16 (14.2)	37 (8.1)
Gender		
Male	51 (45.1)	177 (38.8)
Female	62 (54.9)	279 (61.2)
Age		
≤30	23 (20.4)	88 (19.3)
31-40 years old	66 (58.4)	260 (57)
41-50 years old	19 (16.8)	67 (14.7)
≥ 50 years old	5 (4.4)	41 (9)
Ethics		
Chinese	105 (92.9)	426 (93.4)
Malay	5 (4.4)	9 (2)
Indian	2 (1.8)	11 (2.4)
Others	1 (0.9)	10 (2.2)
Tax return filed in 2007*		
Form BE	72 (63.7)	288 (63.2)
Form B	41 (36.3)	168 (36.8)
Total	113 (24.7%)	456 (100)

*: In Malaysia, salaried taxpayers are required to file Form BE, whilst, individuals with business income are required to file Form B

Profiles of those who had e-filed successfully: Out of the 456 survey respondents, just 24.7% (113 out of 456) had attempted e-filing since it was launched in 2006 (Table 1, row 7, column 2). They are termed as e-filers. Notably, majority of the e-filers are from the central region, i.e., the capital city of Malaysia and the state of Selangor. Majority of e-filers are Chinese (92.9%) and aged between 31 to 40 years old (58.4%). Female e-filers appears to be more than males counterparts, nonetheless, at 95% confidence level, a chi-square test shows there is no significant difference in gender among the e-filers.

E-filers’ experience: To further probe the issue, we asked the e-filers where they did e-filing. The survey found 48% of e-filers did it from home, 38% from their office and 14% from the IRBM’s office. In respect of the time taken to e-file successfully, 35.4% of the e-filers indicated that they took less than 30 min, 47.8% took between 30 min to 1 h, 10.6% took between 1-2 h and 6.2% took more than 2 h. The findings indicate that the duration to complete e-filing was rather long, it should be done within 15 min. When asked about the overall experience of e-filing, Fig. 1 shows that 55.8% of e-filers found e-filing convenient and easy to use. About 7.1% found e-filing was good and pleasant. However, 31.9% of e-filers indicated that e-filing was not as good as they had expected and 5.3% found e-filing was unpleasant and tedious.

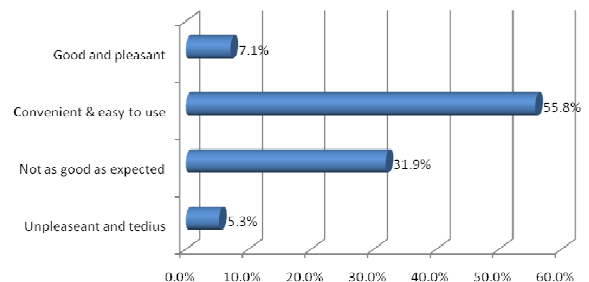


Fig. 1: E-filers overall experience of e-filing

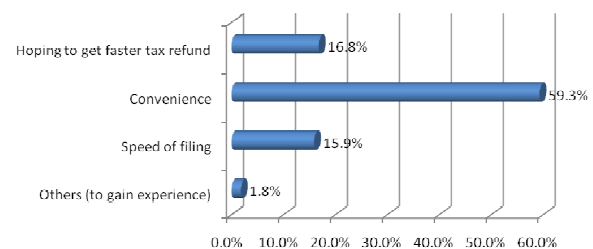


Fig. 2: Reasons for using e-filing

With regards to reason for opting to use e-filing, the survey found 59.3% of the e-filers indicated that they chose e-filing over manual filing for the sake of convenience (Fig. 2). About 15.9% used e-filing for the speed of filing, whilst 16.8% e-filers were hoping to get faster tax refund. Notably, 6.2% opted to use e-filing in 2006, because extension of filing deadline was given in year 2006 for those who used e-filing. Merely 1.8% tried e-filing to gain experience before introduce e-filing to clients. Overall, the reasons for using e-filing are somewhat consistent with study of Fatimah and Lai (2008) when she surveyed the e-filing experience among members of Malaysian Institute of Taxation. Fatimah and Lai (2008) also found convenience, speed of tax filing and faster tax refund appeared to be the three most important considerations for Malaysian tax professionals to use e-filing.

Non E-filers: Reasons for not using e-filing: Out of 456 respondents, 343 respondents (75.2%) preferred to use manual filing instead of e-filing. In this study, they are termed as non e-filers. To probe the issue further, we asked them why they preferred manual filing instead of e-filing. Figure 3 presents the findings. More than 25% of non e-filers indicated that they were concerned about the security of e-filing system. About 20.8% did not trust the e-filing system, some 11.8% of the non e-filers indicated that they had no experience and knowledge to e-file. The plausible explanation is they were not technology savvy or lacked internet self-efficacy to use e-filing. Another 5.7% indicated that there is no incentive for them to use e-filing. About 4.8% had attempted to use e-filing but were unable to e-file successfully, consequentially, they had to opt for paper filing at the end. Overall, the survey found reasons for not using e-filing are many.

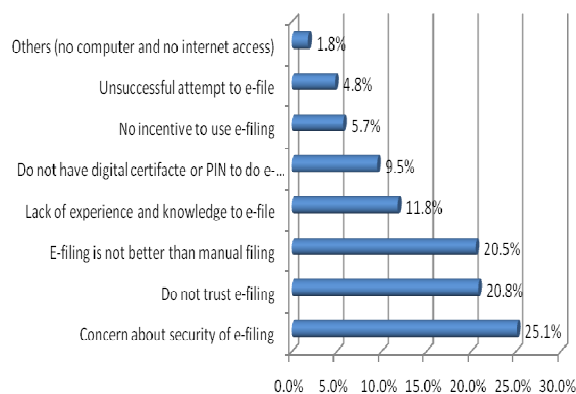


Fig. 3 Reasons for not using e-filing in year 2007

Other findings: In turn, we solicited survey respondents' opinions on (i) intention to use e-filing in the future, (ii) what type of incentives that would motivate them to use e-filing, (iii) whether e-filing should be made mandatory and (iv) whether they have confidence in the IRBM in managing the e-filing system successfully. The findings as presented in Table 2 show that less than half (48.7%) of the respondents had the intention to use e-filing in the future (Table 2, row 1, column 2). This result is not encouraging in view that the IRBM is counting on the tax professionals to accelerate the diffusion of e-filing technology. Merely 29.6% had the opinion that e-filing should be made mandatory and the reminders (70.4%) thought otherwise. Notably, just 26.1% had confidence in the IRBM in managing e-filing successfully; whilst majority (73.9%) had no confidence in the electronic administrative capability of the IRBM. This finding supports the assertion of Tan *et al.* (2005) that the government needs to restore public trust in e-filing as one of the e-government initiatives.

In respect of the type of incentives that will motivate the take up of the e-filing system, majority (41.2%) of the respondents indicated that 'speedy tax refund' to be the most desirable incentive (Table 2, row 3, column 2). This finding is somewhat consistent with Lai (2006b) when surveyed Malaysian tax practitioners' responses towards e-filing (Lai, 2006b). In addition, this study found 35.1% of the respondents' quest for 'special cash rebate' for those who use e-filing and 22.8% suggested 'extension of tax filing deadline' for those who used e-file would motivate the take up of e-filing. Surprisingly, less than 1% suggested lucky draw prizes for those who e-filed. The plausible explanation is the professionals used e-filing because it is useful and easy to use instead of hoping to get 'lucky draw' prizes for early birds like what it was practiced in Singapore at the threshold of implementation.

Table 2: Other findings

Intent to use e-filing in the future	
Yes	222 (48.7%)
No	234 (51.3%)
E-filing should be mandatory	
Yes	135 (29.6%)
No	321 (70.4%)
Incentive that motivate the use of e-filing	
Extension of filing deadline for e-filers	104 (22.8%)
Faster tax refund if use e-filing	188 (41.2%)
Special cash rebate for e-filers	160 (35.1%)
Lucky draw prize for e-filers	4 (0.9%)
Confidence in the IRBM in managing e-filing successfully	
Yes	119 (26.1%)
No	337 (73.9%)
Total	456 (100%)

It is worth noting here that the Inland Revenue Authority of Singapore (IRAS) used lucky draw prizes as an incentive to encourage individuals to take up e-filing in the early years of implementation (IRAS, 2002). The list of e-filing lucky draw winners who won cash prizes in the 'E-filing Lucky draw' were publicized on the IRAS websites to motivate taxpayers to take up e-filing (IRAS, 2002). Nonetheless, 'e-filing lucky draw' might appeal to ordinary taxpayers but not the professional accountants.

CONCLUSION

The issue of professional accountants' adoption of e-filing has attracted much attention; nonetheless, little study has been conducted to examine their usage and compliance considerations of the e-filing system. This study found e-filing has not gained momentum in Malaysia, especially with the professionals group. As professional accountants are the most important end-users, sufficient understanding of their usage experience, motivators, barriers and concerns would motivate usage and interactions among taxpayers, tax practitioners and the tax authorities, as well as to reduce the risk of user rejection.

The limitations of this study are firstly, it is a cross-sectional study and secondly, only those professional accountants who attended the "Budget 2008" tax seminar were surveyed. Hence, limits the generalizability of the findings. Nonetheless, in considering that e-filing is the strategy taken by tax authorities around the world to enhance tax compliance and administrative efficiency, this study provide important insights to the tax authorities on motivators, barriers and concerns in adoption of e-filing system among professional accountants in business. The tax authorities ought to develop business and marketing strategy to accelerate the diffusion of e-filing system among professionals. Malaysian tax authorities need to work with software developer of the e-filing system to reducing and resolving reject issues. It is suggested that Malaysian tax authorities to emulate the US tax authorities to commission or to conduct tracer study on professionals (especially the tax preparers group) to understand them better. Future study can also be conducted to examine the impact of e-filing on tax practice and business.

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