



Abstract

- IRBM Tax Operation Department state that all investigation branches in Malaysia's northern region performed substantially lower than other branches. Therefore, this study attempted to investigate the determinants of effective tax investigation among tax investigation officers in IRBM Investigation Branch, especially those located in the northern region of Malaysia.
- A sample of 42 respondents was selected based on non-probability judgemental known as purposive sampling techniques. The research findings revealed that tax knowledge and skills, tax enforcement strategy, and tax penalty had significant influences on effective tax investigation among IRBM's investigation officers. Complex tax laws, on the other hand, had no significant impact on effective tax investigation, assuming that the majority of the investigation officers have worked in IRBM for more than ten years and possess sufficient knowledge to interpret complex tax laws.
- The results of multiple regression analysis also showed that 82.2% of the variance in the effective tax investigation could be accounted for by the independent variables examined.

Problem Statement



Malaysia's tax to GDP was 12.4% (2019). 8.6% points lower than the average for Asia and the Pacific, which was 21.0%.



OECD average of 33.8%, difference of 21.4 percentage points (OECD, 2021).

- Shadow economy (SE) in M'sia was about 18.2% of Malaysia's GDP in the year 2019 (Adilla, F., 2021, Dec 16).

- 18.2 percent figure indicates that Malaysia has low levels of tax compliance as well as significant tax losses caused by the SE.
- Tax evasion can occur without participation in the shadow economy, but participation in the shadow economy virtually always results in tax evasion Pickhardt and Prinz (2012).
- Therefore, an effective tax investigation is essential for the investigation department to increase the tax compliance levels and reduce tax evasion caused by shadow economies. Further, to determine which branches have seen a notable reduction in performance, additional analysis based on data supplied by the Tax Operation Department was performed.
- Important factor in determining the effectiveness of a tax investigation is yet to be determined whether it involves just the amount of the settlement. Furthermore, there is no single theory or description that can be used to explain an effective tax investigation.

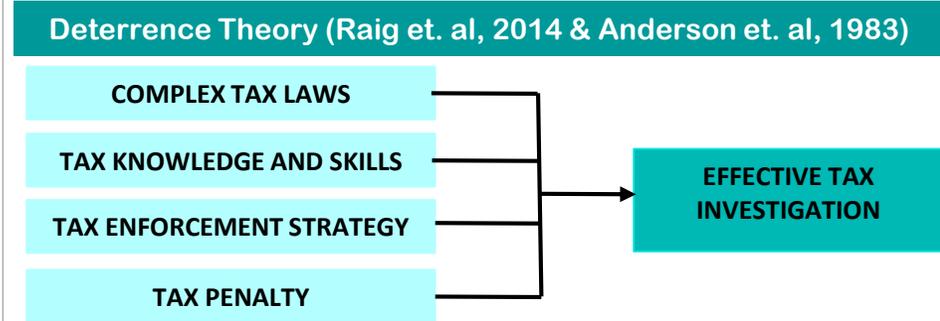
Research Objectives

- To determine the level of complex tax laws, tax knowledge and skills, tax enforcement strategy, tax penalty, and effective tax investigation among tax investigation officers in the IRBM Northern Region.
- To determine the relationship between complex tax laws, tax knowledge and skills, tax enforcement strategy, tax penalty, and effective tax investigation among tax investigation officers in the IRBM Northern Region.

Research Questions

- What is the level of complex tax laws, tax knowledge and skills, tax enforcement strategy, tax penalty, and effective tax investigation among tax investigation officers in the IRBM Northern Region?
- What is the relationship between complex tax laws, tax knowledge and skills, tax enforcement strategy, tax penalty, and effective tax investigation among tax investigation officers in the IRBM Northern Region?

Framework



Methodology

- Examined the determinants that lead to effective tax investigations, especially for investigation branch in the northern region of Malaysia. The investigative officers from CSi Pulau Pinang, CSi Alor Setar, and CSi Ipoh serve as the unit of analysis.
- This study took a deductive approach.
- In order to be consistent with the deductive approach that seeks to evaluate the interrelationships between the study variables, the survey method was selected and applied in this study.
- The investigation officers were sent an email questionnaire to fill out, and the feedback was collected through email. This study used a research design known as cross-sectional research to analyse the study's target population at a specific point in time.

Methodology cont..

- Prior to collecting the data, the suitability of the study was examined by evaluating the validity and reliability of the instruments and measurements.
- Pre-test was carried out to confirm the validity and reliability of the instruments and measurements.
- Finally, data collection was carried out to get feedback from the respondents following the validity and reliability assessment.

Findings

- The descriptive statistics method was used to analyse the demographic data provided by the respondents, as well as calculate the overall mean and standard deviation of each variable examined in this study.
- Average levels of complex tax laws, tax knowledge and skills, tax enforcement strategy, tax penalty, & effective tax investigation among IRBM's investigation officers are high.
- The analysis of correlation was used to investigate the relationships between the variables, whereas the analysis of regression was used to assess the significance of the independent variables in relation to the dependent variable.
- Out of four independent variables, only three exhibited a significant relationship with effective tax investigation among IRBM investigation officers, especially those located in the northern region of Malaysia.

Hypothesis	Result
H1 There is a positive relationship between complex tax law and effective tax investigation.	Rejected
H2 There is a positive relationship between tax knowledge and skills and effective tax investigation.	Accepted
H3 There is a positive relationship between tax enforcement strategy and effective tax investigation.	Accepted
H4 There is a positive relationship between tax penalty and effective tax investigation.	Accepted

Conclusion

- **Theoretical Implication** - To determine the factors that influence an effective tax investigation. The study reveals that tax knowledge and skills, tax enforcement strategy, and tax penalty have positive and substantial relationships with effective tax investigation, while complex tax laws have a positive but insignificant relationship.
- The present study contributes to the existing body of literature on effective tax investigation from an IRBM perspective.
- The results offer the way to understand an effective tax investigation and its factors. The findings of this study are not only important for professionals, academics, and researchers in general, but are also important for all other stakeholders.
- **Practical Implication** - Direct contribution to the improvement of all investigation branches within IRBM by providing the investigation officers with assistance in conducting effective tax investigations.
- From the point of view of the investigation officer, this study provides additional confirmation on the relationships between effective tax investigation and complex tax laws, tax knowledge and skills, tax enforcement strategy, and the tax penalty. However, it doesn't have a positive relationship between complex tax law and effective tax investigation. Therefore, this study recommends that IRBM look into determinants such as tax knowledge and skills, tax enforcement strategy, and tax penalty in order to achieve a high level of effective tax investigation.
- The findings of this study suggest for IRBM to examine factors including tax knowledge and skills, tax enforcement strategy, and tax penalty to obtain a high level of effective tax investigation.

- Findings of this study offer a significant amount of assistance to the IRBM that is capable to utilise the findings to revise, review, and constitute tax laws and policies. This assistance is provided by taking into consideration the implication and effect of successfully accomplishing effective tax investigation.
- Conducting workshops, seminars, training programmes, and other similar activities are some of the things that the IRBM could undertake to ensure that the quality of the investigation officers particularly in terms of their knowledge and skills is maintained.
- One of the proposals made by the investigation department regarding the tax enforcement strategy is to move towards prosecution of those tax evaders, which will indirectly have a huge impact on society in promoting tax compliance, consistent with the investigation objective.

Research Gap

- The responses were obtained from the investigation officers who worked at the Investigation Branch located in the Northern Region of Malaysia only.
- Hence, the findings of this study cannot be used to generalise the perspective of all investigation officers in Malaysia with regard to the factors that influence the effectiveness of tax investigations.