TAX ADMINISTRATION PERFORMANCE: THE CASE OF ROYAL MALAYSIAN CUSTOMS PENANG

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Abstract: *This study assessed the performance of tax administration in Malaysia from the perspectives of both tax employees and taxpayers' satisfaction. Data for this study was collected through questionnaire surveys on tax employees and taxpayers of the Royal Malaysian Customs Penang (RMCP). The result shows that tax employees at RMCP were less satisfied with the department's concern for their welfare, the department's system for recognising and rewarding employees' performance and the salary for the employees. All these three aspects revolved around the issue of employee welfare and salary. As for taxpayers' satisfaction, the result of this study shows that taxpayers were less satisfied with the time management of RMCP in providing services to them. The taxpayers expressed dissatisfaction with RMCP's ignorance thatwaiting time is important for them, the lack of ability of RMCP to address their questions promptly and the long taxpayer waiting time at RMCP. The finding suggests that RMCP's time management is considered very important to the taxpayers when receiving services at the department. Thus, RMCP should consider improving employee and taxpayer satisfaction by practicing what has been done by international revenue bodies such as the United States Internal Revenue Service (IRS). In its balanced measurement system, the IRS includes productivity through a quality work environment to increase employee job satisfaction and hold agency employment stable while the economy grows and service improves; and provide accurate and professional services to internal and external customers in a courteous and timely manner. This practice will help RMCP to improve its integrity from the perspectives of both employees and taxpayers.*

Keywords: *tax administration, performance, tax employees, taxpayers, satisfaction.*

1. INTRODUCTION

Malaysia's competitive edge at the global level depends very much on the efficiency (output) and effectiveness (outcome) of its public sector delivery system. This is why it is important for Malaysia to seek ways and means to continuously improve public sector service delivery. Achieving a balanced development is an essential aspect of the country's long-term development plan as reflected in its

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Vision 2020. A balanced development means that Malaysia should not focus just on physical and infrastructural development but also look into the social and human aspects. Although Malaysia has achieved significant progress in several areas, there are still many areas that need improvement. For instance, even though in terms of government competitiveness Malaysia improved from 26th position in 2004 to 12th position in 2014 (IMD, 2014), Malaysia's productivity level of USD14, 217 is relatively lower than some Asian countries such as Korea (USD39, 490), Singapore (USD55,702), Australia (USD58,683) and Hong Kong (USD65.174) (Malaysian Employers Federation, 2012). Consequently, this data shows that Malaysia needs to improve its productivity level in order to achieve its Vision 2020 in the near future.

Previous literature has shown that productivity of an employee is very much related to his or her job satisfaction (see for example, Bhati and Qureshi, 2007; Terziovski, 2006; Patterson *et al.*, 2004). Hence, in order to improve employee productivity, it is important for Malaysia to improve its public sector employee satis faction. More over, the literature has also proven that employee satis faction plays a primary role in helping organisations achieve their goals (Koys, 2003). If an organisation takes care of its employees, the employees will take care of the customers. It is true that customers tend to have a better experience with organisations that have higher levels of employee satisfaction and engagement (Chi and Gursoy, 2009). Studies suggest that employee and customer satisfaction are positively correlated (Wu, 2007). Providing employees with a superior internal working environment will lead to satisfied employees who are both loyal to the organisation and able to provide the customer with an excellent service experience, which will result in satisfied customers.

Based on the above literature, this study evaluates the performance of Malaysian tax administration from the perspectives of tax employees and taxpayers' satisfaction. According to Mansor and Tayib (2011), such study is very limited in the context of developing countries in general and Malaysia in particular, hence justifies the significant contribution of this study to the literature. The following sections discuss the relevant literature for this study, the research methodology used, result and discussion, and conclusion and future research.

2. LITERATURE REVIEW

An outcome-focused approach to public sector performance measurement represents a significant change to the way government programs are managed. More attention is paid to the way government programs are contributing to outcomes and less on simply delivering outputs, carrying out activities and implementing processes (Hampson, 2009). In this context, outcomes are defined

as the often long-term effects of public sector service delivery on citizens or society at large in terms of well-being and economic, environmental and social welfare.

It is suggested that an increased focus on outcomes enables agencies to determine the effectiveness of government programs in meeting community needs and to find ways to improve public sector service delivery. Such a focus improves community confidence in the capability of the government (Caudle, 2001). According to Wyman (2003), the ultimate purpose of an organization is to produce output/outcome *i.e.* the pattern of activities, behaviour, and performance of the system at the following levels:

- *The total system:* The output measured in terms of goods and services produced, revenues, community impact, and policy or service outcomes.

- *Units within the system:* The performance and behaviour of the various divisions, departments, and teams that make up the organisation.

- *Individuals:* The behaviour, activities, and performance of the people with in the organisation.

In the context of taxation, the general principle of performance measurement also focuses on the outcomes as indicators of tax administration performance (Serra, 2003; James *et al.*, 2007). According to Serra (2003), an example of an output of a tax administration system is the number of audits carried out by each tax inspector; while the outcomes usually include taxpayer satisfaction, qualities of services to the taxpayers, and taxpayer compliance rate. The Organisation for Economic Co-operation and Development (OECD, 2008) stated that the outputs of a tax administration are for example the number of enquiries processed andthe number of audits cases and debt cases settled; and the outcome could be in the form of taxpayers' satisfaction and changes intaxpayers' compliance. Hence, it can be concluded that the literature suggests the outcomes of an organisation that should be given attention are:

1. external outcome related to services outcome; and

2. internal outcome related to the behaviour, activities and performance of the people within the organisation.

The above views regarding outcome-based approach to performance measurement has long been acknowledged by tax administrations particularly in the developed countries. The United States Internal Revenue Service (IRS) for example, has issued a Balanced Measures Regulation to formally establish the IRS new performance management system since September 1999 (IRS, 1999). The issuance of the regulation sets forth the structure for measuring organisational and employee performance within the IRS. The IRS Balanced Measurement

Organisational Performance Assessed through Balanced Measures
Generate a productive quantity of work in a quality manner and
provide meaningful outreach to all customers

Provide accurate and professional
services to internal and external
customers in a courteous and timely
manner

Create an enabling environment for
employees by providing quality
leadership, adequate training, and effective
support services

Figure 1: IRS Performance Assessment Framework

System has been developed as part of the effort to modernise the IRS and to reflect its priorities as articulated in the IRS mission. This approach to measurement is intended to help shift the focus of individuals and the organisation away from achieving a specific target or number to achieving the overall mission and strategic goals of the IRS.

The IRS Balanced Measurement System consists of three components of balanced measures *i.e.* customer satisfaction, employee satisfaction, and business results (refer to Figure 1). These components will be carefully considered by the IRS when setting organisational objectives, establishing goals, assessing progress and results, and evaluating individual performance. The IRS will use balanced measures, comprised of both output and outcome measures, at both the strategic level and the operational level to measure organisational performance. At the strategic level, measures will be used to assess overall performance in delivering on the mission and three strategic goals. Strategic measures will apply to the organisation as a whole and to each of the major operating and functional divisions in the modernised IRS. At the operational management level, balanced

measures are used to assess the effectiveness of program and service delivery of particular components of the organisation. At the individual level, critical elements and critical performance critical performance expectations that support and align with the IRS mission and balanced measures approach will be the basis by which employees are evaluated.

At the strategic level, the IRS has translated its mission into three strategic goals of service to each taxpayer, service to all taxpayers, and productivity through a quality work environment. This structure assists the IRS in describing how programs and initiatives tie to achievement of the mission and goals as reflected in improvements in the measurement results.

At the operational level, the service to each taxpayer goal is measured from the customer's point of view. The goal of the customer satisfaction element is to provide accurate and professional services to internal and external customers in a courteous and timely manner. The customer satisfaction goals and accomplishments of operating units within the IRS are determined on the basis of customer feedback collected *via* methods such as question naires, surveys and other types of information gathering mechanisms.

The service to all taxpayers goal is gauged through a combination of quality, quantity and outreach measures. The goal of the business results elements is to generate a productive quantity of work in a quality manner and to provide meaningful outreach to all customers. The business results measures consist of numerical scores determined under the elements of quantity and quality.

The productivity through a quality work environment goal is assessed *via* measures of employee satisfaction. The goal of the employee satisfaction element is to create an enabling work environment for employees by providing quality leadership, adequate training, and effective support services. The employee satisfaction ratings to be given within the IRS are determined on the basis of information gathered *via* survey. All employees have an opportunity to provide information regarding employee satisfaction under conditions that guarantee them anonymity.

The IRS Balanced Measurement System is quite holistic as it covers performance measurement from the three important aspects of a tax administration *i.e.*, business results, employee satisfaction and customer/taxpayer satisfaction.Tax administrations usually cover business results in their performance measurement (see for example, ATO, 2009; New Zealand Inland Revenue Department, 2010) but do not clearly integrate employee and taxpayer satisfaction into their overall performance measurement.However, according to Wyman (2003), a good performance measurement system covers all the three aspects. Thus, the following sections discuss the literature regarding tax employee and taxpayer satisfaction.

2.1 Tax Employees Job Satisfaction

Job satisfaction has been identified as the most intensely studied variable in organisational research (see for example, Chi and Gursoy, 2009; Harter *et al.*, 2002; Rainey, 1991). Job satisfaction is a general attitude that employees have towards their jobs, and is directly tied to individual needs including challenging work, equitable rewards and a supportive work environment and colleagues (Ostroff, 1992). According to Quarstein *et al.* (1992), overall satisfaction is a function of a combination of situational characteristics and situational occurrences. The situational characteristics commonly proposed as key factors in job satisfaction are the work itself, pay, promotion, supervision and co-workers (Smith *et al.*, 1969).

Given the importance of performance capacity to the public sector organisations and the numerous models that have attempted to identify determinants of work-related satisfaction, it is surprising that there have been only a handful of studies examining the public sector employeesin relation to job satisfaction. Among the limited studies are those conducted by Mansor and Tayib (2011), McCue and Gianakis (1997), de Leon and Taher (1996) and Emmert and Taher (1992). Moreover, there is a limited study particularly on tax employees' job satisfaction in the developing countries based on the scarce literature on the topic. Hence, there is a need to investigate further on tax employees' job satisfaction in order to improve a tax administration performance.

2.2 Taxpayersservice Satisfaction

Customer satisfaction is a crucial goal for most organisations, and it has proven effective to improve the long-term performance of any company (Mittal *et al.*, 2005; Ittner and Larcker, 1998; Aaker and Jacobson, 1994). Customer satisfaction towards services is inevitably related to the perceived service quality delivered by the service organisations (Oliver, 1993; Spreng and Mackoy, 1996). In the absence of objective measures, an appropriate approach for assessing the quality of an organisation's service is to measure customer's perceptions of quality (Medina-Borja and Triantis, 2007). In the case of public sector organisations, the perceptions and expectations of citizens about governmental services are determined by the quality of these services (Gelders, *et al.,* 2008). Brady and Cronin (2001) proposed a hierarchical service quality model where service quality is viewed as a multilevel construct consisting of three primary dimensions: interaction quality, physical environment quality, and outcome quality. Their model is further improved by Pollack (2009), who divided these three broad dimensions into various lower-level dimensions.

In the case of tax administration, Gill (2003) and Silvani and Baer (1997) proposed that taxpayer service is an important aspect that needs to be diagnosed.

In addition, Bird (2004) stated that facilitating compliance involves such elements as improving services to taxpayers by providing the taxpayers clear instructions, understandable forms, and assistance and information as necessary. However, there are very few studies that have included taxpayer service as an indicator for tax administration performance. Taliercio (2004) for example, included taxpayer services as an outcome indicator for comparing performance of revenue authorities in Kenya, South Africa, Uganda, Mexico, Venezuela and Peru which became semi-autonomous revenue authorities. Klun (2004) surveyed personal income taxpayers in Slovenia to assess the work of the tax administration related to items such as efficiency, fairness, speed, discovery of tax evasion and providing information to taxpayers. Serra (2005) through taxpayer surveys, studied taxpayer satisfaction with regards to the tax administration in Chile. These surveys included taxpayers' evaluation on service standard and workplace services by the revenue authority. Based on previous studies, it could be concluded that assessing taxpayer satisfaction on the quality of services provided by a tax administration is an important indicator for measuring its performance.

It is therefore proposed that the performance of a tax administration should be assessed from the perspectives of both tax employees and taxpayers. Tax employees' job satisfaction as well as taxpayers'service satisfaction should be examined to ensure that a tax administration can function efficiently and effectively. The following section discusses the research methodology employed in this study.

3. RESEARCH METHODOLOGY

A case study approach was used in this study. Particular attention was given to the Royal Malaysian Customs Penang (RMCP), which is a state office of the Royal Malaysian Customs. The selection of RMCP was because it was considered as a 'typical case' representing the rest of the Royal Malaysian Customs offices in Malaysia. This is because the Royal Malaysian Customs requires its management practices and procedures to be implemented uniformly.

In this study, the relevant information for assessing tax employees and taxpayers' satisfaction was gathered through surveys in the form of questionnaires. Two sets of questionnaires were designed to obtain the data necessary to assess tax employees and taxpayers' satisfaction. The questionnaires were for:

1. Tax employees of the Royal Malaysian Customs Penang (RMCP)

2. Taxpayers of the Royal Malaysian Customs Penang (RMCP)

The questionnaires in this study were adopted from previous similar surveys. Employees' satisfaction is measured based on the items originally developed by McCue and Gianakis (1997), while taxpayers' satisfaction is measured based on the criterion developed by Pollack (2009). The questionnaire for both tax employees and taxpayers were divided into two parts. The first part was designed to obtain the demographic characteristics of the respondents. The second part of the question naire was designed to measure the respondents' satisfaction.

A five-point Likert scales was used for all the items in the questionnaire for tax employees and taxpayers. The response format contained five possible answers ranging from (1) to (5). These response labels were as follows:

1. Strongly Disagree; 2. Disagree;
3. Neutral or Undecided; 4. Agree; and
5. Strongly Agree.

The sample for this study was selected from the list of tax employees and taxpayers of RMCP. The total number of employees at RMCP was 1,076, while the total number of taxpayers was 5,716 in the year 2013. According to Sarantakos (2005), samples are employed when there is a need to represent all groups of the target population in the sample. In this sense, the method is very economical, and offers a high degree of representativeness.

In determining the sample size, Sekaranand Bougie(2010) provided a table that generalised scientific guidelines for sample size decisions. Based on the table, the appropriate sample size for tax employees was around 300 and the sample size for taxpayers was around 400. Using the Statistical Package for Social Sciences (SPSS), both tax employees and taxpayers were randomly selected for the survey purpose. Questionnaires were then distributed to these 300 tax employees and 400 taxpayers.The survey was conducted in the year 2013. In the implementation of the survey on tax employees, the questionnaires were personally distributed to various departments of RMCP through the Training Department of RMCP and the researcher personally collected them from the department. As for the survey on taxpayers, the questionnaires were mailed based on the addresses provided by RMCP.

4. RESULTS AND DISCUSSION

The result from the survey that shows the response rates for both tax employees and taxpayers are illustrated in Table 1. It can be seen that the response rate for tax employees is higher than that of the taxpayers. This situation is reasonable as Sekaranand Bougie(2010) suggests that personally administered questionnaire could yield higher response rate as compared to mailed questionnaire.

Table 1
Demographic Information on Tax Employees

Items	Frequency	Percent
Gender:		
Male	78	47.3
Female	87	52.7
Total	165	100.0
Ethnicity:		
Malay	141	85.5
Chinese	8	4.8
Indian	13	7.9
Other	3	1.8
Total	165	100.0
Age:		
20-30	50	30.3
31-40	53	32.1
41-50	26	15.8
Above 50	36	21.8
Total	165	100.0
Marital Status:		
Single	25	15.2
Married	138	83.6
Divorced	2	1.2
Other	0	0.0
Total	165	100.0
Highest Level of Education:		
High School	95	57.6
Diploma	36	21.8
Bachelor Degree	31	18.8
Master Degree	3	1.8
PhD	0	0.0
Other	0	0.0
Total	165	100.0
Employment Status:		
Permanent	161	97.6
Temporary	2	1.2
Contract	1	0.6
Part-time	1	0.6
Total	165	100.0
Department:		
Customs	100	60.6
Internal Taxes	22	13.3
Technical Services	10	6.1
Management	23	13.9
Preventive	7	4.3
Other	3	1.8
Total	165	100

Occupation:

Managerial	14	8.5
Enforcement Officer	25	15.2
Officer	80	48.5
Technical	10	6.0
Administrative/Clerical	34	20.6
Other	2	1.2
Total	165	100

Term of Employment:

Less than 1 year	8	4.8
1 - 2	17	10.3
3 - 5	34	20.6
6 - 10	26	15.8
More than 10 years	80	48.5
Total	165	100

Table 2
Tax Employees and Taxpayers Survey Response Rate

	Tax Employees	Taxpayers
Sample selected and questionnaire distributed	300	400
Questionnaire returned	165	142
Response rate (%)	55%	35.5%

For the tax employees, the respondents of this study provided demographic data as depicted in Table 2. It shows that the majority of the respondents came from the group of female, Malay, age between 31-40 years old, married, have high school certificates, hold permanent employment status, work for the Customs division, hold the post of officers, and have been working with the Royal Malaysian Customs for a period of more than ten years.

Table 3 presents summary statistics for the strength of agreement, including rankings, about the perceived job satisfaction of the tax employees working at RMCP. It can be seen from the table that the highest three mean scores of the result reflect that the tax employees were satisfied with their job (JS1), satisfied with their career progress (JS6), and satisfied with the overall quality of the department's services (JS10). The mean scores for the items JS1, JS6 and JS10 are 3.98, 3.82 and 3.81 respectively.

On the other hand, the lowest three mean scores of the result show that the tax employees were less satisfied withRMCP's concern for its employees' welfare (JS8), the department's system for recognising and rewarding employees' performance (JS4), and the pay/salary of the employees (JS2). The mean scores for the items JS8, JS4 and JS2are 3.54, 3.38 and 3.05 respectively.

Table 3
Summary Statistics of Job Satisfaction as Perceived by Tax Employees

Q	JSI	Job Satisfaction Items (JSI)	Frequency					Mean (S.D.)	Rank
			1	2	3	4	5		
1	JS1	I am satisfied with my job	3 (1.8%)	7 (4.2%)	19 (11.5%)	96 (58.2%)	40 (24.2%)	3.98 (0.83)	1
6	JS6	I am satisfied with my career progress in the Customs Department up to this point	1 (0.6%)	10 (6.1%)	29 (17.6%)	102 (61.8%)	23 (13.9%)	3.82 (0.77)	2
10	JS10	I am satisfied with the overall quality of the Customs Department's services	1 (0.6%)	8 (4.8%)	38 (23.0%)	92 (55.8%)	26 (15.8%)	3.81 (0.78)	3
7	JS7	I am satisfied with my opportunity 'to make a difference' or to contribute to the overall success of the Customs Department	1 (0.6%)	11 (6.7%)	32 (19.4%)	96 (58.2%)	25 (15.2%)	3.80 (0.79)	4
3	JS3	I am satisfied with my co-workers	1 (0.6%)	9 (5.5%)	43 (26.1%)	89 (53.9%)	23 (13.9%)	3.77 (0.90)	5
9	JS9	I am satisfied with the Customs Department's overall efficiency in operations	6 (3.6%)	8 (4.8%)	29 (17.6%)	95 (57.6%)	27 (16.4%)	3.75 (0.78)	6
5	JS5	I am satisfied with the direction or advice I receive from others in the Customs Department	1 (0.6%)	13 (7.9%)	41 (24.8%)	91 (55.2%)	19 (11.5%)	3.69 (0.80)	7
8	JS8	I am satisfied with the Customs Department's concern for its employees' welfare	5 (3.0%)	19 (11.5%)	40 (24.2%)	84 (50.9%)	17 (10.3%)	3.54 (0.93)	8
4	JS4	I am satisfied with the Customs Department's system for recognising and rewarding outstanding performance	15 (9.1%)	20 (12.1%)	40 (24.2%)	66 (40.0%)	24 (14.5%)	3.38 (1.15)	9
2	JS2	I am satisfied with my pay	26 (15.8%)	35 (21.2%)	27 (16.4%)	56 (33.9%)	21 (12.7%)	3.05 (1.30)	10

Table 4
Demographic Information on Taxpayers

Items	Frequency	Percent
Status of Business:		
Bursa Malaysia Main Board	12	8.5
Bursa Malaysia Second Board	5	3.5
Not Listed	125	88
Total	142	100
Legal Form of Business:		
Public Limited	17	12
Private Limited	85	60
Partnership	18	12.5
Sole Proprietor	22	15.5
Total	142	100
Type of Industry:		
Consumer Product	36	25.4
Industrial Product	7	4.9
Construction	6	4.2
Services	55	38.7
Infrastructure	5	3.5
Hotel	2	1.4
Technology	2	1.4
Customs Agent	24	17
Other	5	3.5
Total	142	100
Annual Turnover:		
Below RM250,000	55	38.7
RM250,000-RM500,000	33	23.2
RM500,001-RM750,000	10	7
RM750,001-RM1,000,000	20	14.1
Above RM1,000,000	24	17
Total	142	100
Number of Employees:		
Less than 10	82	57.8
10 - 50	37	26
51 - 100	10	7
More than 100	13	9.2
Total	142	100
Type of Tax Paid:		
Sales tax only	40	28.2
Services tax only	50	35.2
Excise duty only	15	10.6
More than one type of tax	37	26
Total	142	100
Period Being a Taxpayer:		
Less than 3 years	40	28.2
3-5 years	26	18.3
More than 5 years	76	53.5
Total	142	100

Table 5
Summary Statistics of Service Satisfactionas Perceived by Taxpayers

Q	JSI	Job Satisfaction Items (JSI)	Frequency					Mean (S.D.)	Rank
			1	2	3	4	5		
19	V2	I believe the Customs Department try to give me a good experience	3 (2.1%)	13 (9.2%)	34 (23.9%)	66 (46.5%)	26 (18.3%)	3.69 (0.94)	1
20	V3	I believe the Customs Department knows the type of experience the taxpayers want	3 (2.1%)	11 (7.7%)	40 (28.2%)	64 (45.1%)	24 (16.9%)	3.66 (0.91)	2
1	IQ	Overall, I'd say that the quality of my interact-ons with the Customs Department employees is excellent	6 (4.2%)	5 (3.5%)	42 (29.6%)	66 (46.5%)	23 (16.2%)	3.65 (0.92)	3
3	A2	The Customs Depart-ment employees' attitudes demonstrate their willingness to help me	4 (2.8%)	12 (8.5%)	36 (25.4%)	64 (45.1%)	26 (18.3%)	3.65 (0.95)	4
2	A1	You can count on the Customs Department employees being friendly	4 (2.8%)	13 (9.2%)	30 (21.1%)	75 (52.8%)	20 (14.1%)	3.64 (0.92)	5
11	OQ	I feel good about their services to the tax-payers	4 (2.8%)	14 (9.9%)	41 (28.9%)	52 (36.6%)	31 (21.8%)	3.64 (1.01)	6
17	T3	The Customs Depart-ment knows the kind of services the tax-payers are looking for	6 (4.2%)	10 (7.0%)	35 (24.6%)	66 (46.5%)	25 (17.6%)	3.64 (0.98)	7
4	A3	The Customs Depart-ment employees' attitudes show me that they understand my needs	4 (2.8%)	15 (10.6%)	36 (25.4%)	63 (44.4%)	24 (16.9%)	3.60 (0.97)	8
10	E3	The Customs Depart-ment employees under-stand that I rely on their knowledge to meet my needs	3 (2.1%)	12 (8.5%)	44 (31.0%)	61 (43.0%)	22 (15.5%)	3.60 (0.91)	9
8	E1	You can count on the Customs Department employees knowing their jobs	5 (3.5%)	12 (8.5%)	41 (28.9%)	61 (43.0%)	23 (16.2%)	3.59 (0.97)	10

18	V1	When I leave, I usually feel that I had a good experience	3 (2.1%)	18 (12.7%)	38 (26.8%)	58 (40.8%)	25 (17.6%)	3.58 (0.98)	11
5	B1	I can count on the Customs Department employees taking actions to address my needs	4 (2.8%)	15 (10.6%)	41 (28.9%)	58 (40.8%)	24 (16.9%)	3.56 (0.97)	12
15	T1	I am consistently pleased with the services they provide	7 (4.9%)	14 (9.9%)	40 (28.2%)	54 (38.0%)	27 (19.0%)	3.54 (1.05)	13
13	WT2	The Customs Department tries to keep my waiting time to a minimum	10 (7.0%)	9 (6.3%)	48 (33.8%)	50 (35.2%)	25 (16.9%)	3.49 (1.07)	14
7	B3	The behaviour of the Customs Department employees indicates to me that they understand my needs	4 (2.8%)	15 (10.6%)	50 (35.2%)	55 (38.7%)	18 (12.7%)	3.47 (0.93)	15
6	B2	The Customs Department employees respond quickly to my needs	7 (4.9%)	19 (13.4%)	40 (28.2%)	51 (35.9%)	25 (17.6%)	3.46 (1.07)	16
16	T2	I like them because they provide the services that I want	8 (5.6%)	15 (10.6%)	42 (29.6%)	57 (40.1%)	20 (14.1%)	3.45 (1.03)	17
14	WT3	The Customs Department understands that waiting time is important to me	10 (7.0%)	18 (12.7%)	38 (26.8%)	49 (34.5%)	27 (19.0%)	3.44 (1.13)	18
9	E2	The Customs Department employees are able to answer my questions quickly	5 (3.5%)	19 (13.4%)	43 (30.3%)	55 (38.7%)	20 (14.1%)	3.43 (0.99)	19
12	WT1	Waiting time at the Customs Department is not too long	10 (7.0%)	8 (12.7%)	40 (28.2%)	51 (35.9%)	23 (16.2%)	3.40 (1.11)	20

As for the taxpayers, Table 4 shows the demographic data for the respondents surveyed in this study. The table illustrates that the majority of the respondents came from the group of non-listed companies, private limited, services industry, annual turnover below RM250,000, number of employees less than ten, pay services tax only, and have been paying taxes for more than five years.

Table 5 tabulates the satisfaction of the taxpayers of RMCP regarding the service quality provided by the department. The result for the three highest mean

scores shows that the taxpayers generally agreed that RMCP tried to give them good experiences when dealing with the department (V2), knew the type of experience the taxpayers wanted (V3), and weresatisfied with the overall quality of interaction with the department (IQ). The mean scores for the items V2, V3 and IQ are 3.69, 3.66 and 3.65 respectively.

On the other hand, the lowest three mean scores of the result show that the taxpayers were less satisfied with RMCP's concern that waiting time is important to the taxpayers (WT3), the ability of RMCP to address their questions promptly (E2), and the long waiting time at RMCP (WT1). The mean scores for the items WT3, E2 and WT1 are 3.44, 3.43 and 3.40 respectively.

Overall, the finding of this study shows that the tax employees at RMCP were less satisfied with the department's concern for their welfare, the department's system for recognising and rewarding employees' performance and the salary for the employees. All these three aspects revolved around the issue of employee welfare and salary. The result suggests that these aspects concerning the tax employees should be enhanced. RMCP should consider improving job satisfaction by practicing what has been done by the international revenue bodies such as the IRS. In its balanced measurement system, the IRS includes productivity through a quality work environment to increase employee job satisfaction and hold agency employment stable while the economy grows and service improves (IRS, 1999).

As for taxpayers' satisfaction, the finding of this study shows that the taxpayers were less satisfied with the time management of RMCP in providing services to the taxpayers. The taxpayersexpressed dissatisfaction with RMCP'signorance thatwaiting time is important for them, the lack of ability of RMCP to address their questions promptly and the long taxpayerwaiting time at RMCP.The result suggests that RMCP's time management is considered very important to the taxpayers when receiving services at the department. Thus, the department should improve this aspect to better serve the taxpayers. Empirical evidence suggests that voluntary compliance by the taxpayers improves when the tax administration provides better services to the taxpayers (Wallschutzky, 1984). In addition, customer satisfaction is a crucial goal for any organisation, and it has proven effective to improve the long-term performance of the organisation (Mittal *et al.*, 2005; Ittner and Larcker, 1998; Aaker and Jacobson, 1994; Andersen *et al.*, 1994; Capon *et al.*, 1990).

5.0 CONCLUSION AND FUTURE RESEARCH

This study assesses the performance of the tax administration in Malaysia from the perspectives of tax employees on job satisfaction and taxpayers on service

quality satisfaction. The outcomes of the surveyshow moderate levels of satisfaction for both tax employees and taxpayers of RMCP with the mean scores ranging from 3.05–3.98 and 3.40–3.69 respectively. The results of this study show that you can't have happy customers served by unhappy employees (Heskett *et al.*, 1997). The results indicate that job dissatisfaction among the tax employees in Malaysia are reflected in the taxpayers dissatisfaction towards the services that they received from these employees. The implication of this study is that the Royal Malaysian Customs should establish tax employee satisfaction and taxpayersatisfaction as organisational objectives equal in importance to its business results as have been practiced by international revenue bodies such as the Australian Taxation Office, the New Zealand IRD and the United States IRS. The findings from RMCP are believed to shed some lights on the overall performance of the tax administration in Malaysia.

Two main limitations were identified in this study. First, a cross-sectional methodology rather than a longitudinal method was adopted. The use of the cross-sectional data may pose some limitations on the generalisability of the research. The limitation of the cross-sectional study is reflected in the investigation on the tax employees' job satisfaction. Since individuals were not followed over time, it was not possible to describe a sequence of changes in psychological aspects that subjects might experience throughout their tenure with the tax administration. The limitation also applied to the case of the taxpayers' perception towards the quality of services that they received from the tax administration. It was also not possible to capture the changes that occurred in the taxpayers' perceptions throughout their series of interactions with the tax administration. To examine the effect of changes in the perceptions of tax employees and taxpayers, it is suggested that a longitudinal study should be carried out in future research.

Second, the limitation of this study is that the sample survey used a 5-point Likert scale in which the tax employees and the taxpayers were asked to indicate their perceptions towards the tax administration. The use of Likert scale, as pointed out by Brown (1990), may result in the possibility of patterned responses -a tendency for respondents to respond automatically to questions without paying careful attention to what the question asks. This problem arises from the interpretations different people put on numbers within the scale. Even though the survey attempts to define these numbers, it is not practical to check whether all respondents interpret the score definitions equally. In addition, quantitative technique used in the survey on tax employees and taxpayers has its own limitation, especially in translating people's feelings into numbers. Future research should use the triangulation method by combining different methodologies to study the same phenomenon.

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