

**THE COMPLEXITY OF THE MALAYSIAN INCOME TAX LAWS:  
DO WE NEED THE REWRITING PROGRAMME?**

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## TABLE OF CONTENT

	<b>Page</b>
LIST OF TABLES	III
ACKNOWLEDGMENT	IV
ABSTRACT	V
ABSTRAK	VI
1.0 INTRODUCTION	1
2.0 OBJECTIVES AND SIGNIFICANCE OF THE RESEARCH	2
3.0 MOTIVATION OF THE RESEARCH	3
4.0 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT	4
4.1 Malaysian Income Tax System – The Background	4
4.2 Tax Complexity: A Focus on Readability Issues	5
5.0 RESEARCH METHOD	8
5.1 Sample	9
5.2 Data Analysis	9
5.3 Measures of Readability	10
6.0 RESULTS AND DISCUSSIONS	12
6.1 ITA 1967 and Schedules to the ITA 1967	12
6.2 Public Rulings	20
7.0 CONCLUSION, LIMITATIONS AND FUTURE RESEARCH	28
REFERENCES	30

## LIST OF TABLES

Table 1 Major Coding Differences among Three Categories of Content Analysis	10
Table 2 FRES Scores Description	11
Table 3 F-KGL Description	11
Table 4 Readability of ITA 1967	13
Table 5 Summary of Readability of ITA 1967	17
Table 6 Readability of the Schedules to ITA 1967	18
Table 7 Summary of Readability of the Schedules to ITA 1967	19
Table 8 Readability of Public Rulings	21
Table 9 Summary of Readability of Public Rulings	27

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## ABSTRACT

Complexity of the income tax system is viewed from various perspectives, including the readability of the legislations. Having said that, this study examines the readability of the Income Tax Act 1967 (ITA 1967), its Schedules and Public Rulings issued from the year 2000 to 2013 with the aim to understand the level of readability of such tax documents. This is important since those materials are considered as the main references for taxpayers who are intended to comply with their income tax obligations. Using the four readability measures, namely Flesch Reading Ease Index, Flesch Kincaid Grade Level, average sentence length and percentage of passive sentences, it is found that the ITA 1967, its Schedules and Public Rulings are complex to understand. The findings indicate that the materials under study may need to be rewritten following the exercise of other countries such as the United States of America, Australia and New Zealand. It is hoped that the findings will contribute not only to the body of knowledge but also prompt the tax authority to review the existing income tax legislations.

**Keywords:** Malaysian Income Tax, Readability, Complexity, Flesch Reading Ease Index, Flesch Kincaid Grade Level

## ABSTRAK

Kesulitan sistem cukai pendapatan di lihat melalui pelbagai perspektif termasuk kebolehbacaan perundangannya. Dengan itu, kajian ini mengkaji kebolehbacaan Akta Cukai Pendapatan 1967 (ACP 1967), Jadual-jadual berkaitan serta Peraturan Umum yang dikeluarkan dari tahun 2000 hingga 2013 untuk memahami aras kebolehbacaan dokumen-dokumen cukai tersebut. Ini adalah penting kerana bahan-bahan tersebut merupakan rujukan utama bagi para pembayar cukai yang cuba mematuhi kewajipan membayar cukai. Dengan menggunakan empat ukuran kebolehbacaan iaitu Indeks Bacaan *Flesch*, Tahap Gred *Flesch Kincaid*, purata panjang ayat dan peratus ayat pasif, ia menunjukkan bahawa ACP 1967, Jadual-jadual dan Peraturan Umum adalah sukar untuk difahami. Penemuan ini menunjukkan bahawa bahan-bahan di dalam kajian ini mungkin perlu ditulis semula sebagaimana yang telah dilakukan oleh negara luar seperti Amerika Syarikat, Australia dan New Zealand. Adalah diharapkan penemuan ini bukan sahaja menyumbang kepada badan keilmuan tetapi juga menggesa pihak berwajib pencukaian untuk menyemak semula perundangan cukai yang sedia ada.

**Kata kunci:** Cukai Pendapatan Malaysia, Kebolehbacaan, Kesulitan, Indeks Bacaan *Flesch*, Tahap Gred *Flesch Kincaid*



## **1.0 INTRODUCTION**

The national agenda of ‘One Malaysia: People First. Performance Now’ has put forward two fundamental programmes of Government Transformation Programme (GTP) and Economic Transformation Programme (ETP). Among others, these programmes are aiming at providing better living (by increasing the household incomes and effective public service delivery) for Malaysians as well as to enhance the economic status of the nations. In terms of improving the well-being of the people, Datuk Seri Najib walks the talk by lowering the individual income tax rate and restructuring the national fuel subsidy system to be more equitable (Bernama, 2009). Also, a series of key performance indicators was introduced to evaluate the achievements of each ministry of government in every six months, with the focus given on impact and outcomes rather than inputs and outputs. Similarly, in the effort to place Malaysian economy at par, if not better, with other neighbouring countries in the region (such as Singapore, Hong Kong and Japan), Malaysia has provided various tax incentives to both foreign and domestic investors such as withholding tax exemption, tax rebates and relief. Indeed, these proactive steps embarked by the Government suggest that income tax system plays an important role in the transformation programmes even though it is not explicitly stated in either GTP or ETP as one of the core plans. Thus, it is reasonably well to claim that a good income tax system is actually an enabler to achieve such novel objectives highlighted in both GTP and ETP.

The question is, are we currently having a good income tax system in place? And how do we identify a good income tax system? Smith (1776) in his book on the ‘Wealth of Nations’, claims that an element of a good taxation system is tax simplicity. Tax simplicity can be particularly achieved when the complexity of the tax system is at minimal level. While tax complexity



normally arises due to the increased sophistication in the tax law (Richardson & Sawyer, 2001), researchers generally agree that tax complexity can take many forms such as computational complexity, forms complexity (American Institute of Certified Public Accountants, 1992), compliance complexity, rule complexity (Carnes & Cuccia, 1996), procedural complexity (Cox & Eger, 2006) and the low level of readability (Pau, Sawyer and Maples, 2007; Richardson & Sawyer, 1998; Saw & Sawyer, 2010; Tan & Tower, 1992). Based on this understanding, this research is undertaken to examine the complexity of the income tax system in terms of the level of readability of taxation rules. This is important as when the tax rules are overly and unnecessarily complex, the taxpayers may have difficulty to understand and as a result, they may not benefit from whatever tax incentives offered by the government. In this case, even the most attractive incentives will not be well-functioning as intended. The impact may get even worse when such a low level of readability of the tax rules leads to unintentional non compliance of taxpayers, which in turn pull them to the penalty regimes. These consequences of inadvertent act may be perceived as unfair by the taxpayers, thus diminish the national agenda of ‘One Malaysia: People First. Performance Now’.

## **2.0 OBJECTIVES AND SIGNIFICANCE OF THE RESEARCH**

This study intends to examine the complexity of the tax rules (through readability measures). In particular, this study seeks to answer the following research objectives:

1. To examine the level of readability of the Income Tax Act 1967.
2. To examine the level of readability of the Schedules to the Income Tax Act 1967.
3. To examine the level of readability of the Public Rulings.

4. To make recommendation on simplification programme (if necessary) based on the current level of readability of the tax materials.

This study is expected to serve as a stepping stone for more research on tax complexity in the future. This is particularly relevant in response to the survey findings by Mustafa (1996), Saad (2011) and Isa (2014) that taxpayers faced the problem of content complexity of the income taxation materials. Further, these findings may provide new knowledge to the literature. The existing studies on tax complexity in Malaysia have been focusing on taxpayers' perceptions (which is subjective in nature) whilst this study investigates the complexity using the well established measures to examine the complexity level in a more objective manner. From the practical point of view, the insights generated from this research may assist the Inland Revenue Board (the IRB) to review and improve (if necessary) the relevant tax materials in their effort to optimize their services to their customers (i.e. taxpayers), and consequently meet the national ultimate objective.

### **3.0 MOTIVATION OF THE RESEARCH**

Previous studies conducted in overseas (e.g. Australia, New Zealand and Nigeria) indicate that the level of readability of their respective income tax legislations is worrying. Therefore it is of researchers' concern to examine whether such a problem exists in the Malaysian income tax legislations. This is important not only to identify whether the tax materials are readable and understandable to the taxpayers but also to provide an insight to the tax authority (if necessary) on the possibility of rewriting the legislations.

The fact that the tax compliance behaviour is significantly influenced by content complexity (as indicated in previous studies) further motivate researchers to undertake this study. In relation to this, content complexity refers to difficulty to understand tax materials or relevant legislations while complying with tax obligations. It is hoped that the empirical analysis used to examine the documents under study will shed light on this issue. This is particularly important considering that (to the researchers' knowledge) there is no such study has been done before in Malaysian environment notwithstanding the taxpayers' perceptions that the legislations are complex.

#### **4.0 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

This section begins with the background of the Malaysian income tax system. Then, related studies on complexity are presented and eventually the research hypotheses are developed.

##### **4.1 Malaysian Income Tax System – The Background**

The income tax system in Malaysia commenced in 1948 under the British colonisation era. It was introduced to legitimise the collection of taxes from individuals and corporations. The first income tax legislation at that time was the Income Tax Ordinance 1947. This Ordinance was substantially based on the Model Colonial Territories Income Tax Ordinance 1922 (United Kingdom) (Kasipillai, 2005). The Ordinance was subsequently repealed and replaced by the Income Tax Act 1967 (ITA), which came into effect on 1 January 1968. The ITA 1967 is actually a consolidation of the three laws of income taxation namely the Income Tax Ordinance 1947, the Sabah Income Tax Ordinance 1956 and the Sarawak Inland Revenue Ordinance 1960. This consolidation is one of the significant effect of the formation of Malaysia in 1963. As

supplementary materials to the ITA 1967, the IRB has, from time to time, issued the relevant Public Rulings and the tax guidelines.

Since its inception, Malaysia had adopted an official assessment system (OAS) which requires taxpayers to furnish relevant information pertaining to their incomes and expenses to the Inland Revenue Board (IRB). Under that system, the duty to compute the tax payable was with the IRB, as taxpayers were assumed to have limited knowledge on taxation. However, with effect from 2001,<sup>1</sup> a self assessment system (SAS) was gradually implemented. Under the new system, the responsibilities to compute tax payable shifted from the IRB to taxpayers. Unlike OAS, SAS requires taxpayers to be well-versed with the existing tax laws and provisions, since they are answerable to the tax authorities in the case of a tax audit. Another prominent attribute of SAS is voluntary compliance, as the tax returns submitted by taxpayers are deemed to be their notice of assessment. In other words, penalty mechanisms will be applied if taxpayers do not submit a correct tax return within the stipulated period. Thus, the issue of tax complexity is of relevant concern under SAS.

#### **4.2 Tax Complexity: A Focus on Readability Issues**

A review on tax complexity in a comparative study of seven countries by Strader and Fogliasso (1989) suggests that Japan, the United Kingdom, France, Italy and the United States, have highly complex tax systems. Only Sweden and Netherlands are considered to have a moderately complex tax system. Researchers generally agree that tax complexity arises due to the increased sophistication in the tax law (Richardson & Sawyer, 2001; Strader & Fogliasso, 1989). As

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<sup>1</sup>SAS was implemented in stages, beginning with companies in 2001, followed by non-companies in 2004, and was fully put into practice in 2005.

mentioned earlier, there are various forms of tax complexity: (i) computational complexity; (ii) forms complexity (American Institute of Certified Public Accountants, 1992); (iii) compliance and rule complexity (Carnes & Cuccia, 1996); (iv) procedural complexity (Cox & Eger, 2006); and (v) the low level of readability (Pau et al., 2007; Richardson & Sawyer, 1998; Saw & Sawyer, 2010; Tan & Tower, 1992).

In relation to the readability of tax legislations, it is reported that the New Zealand government has actively undertaken various tax reforms since the mid 1980s (for details, see Hasseldine & Bebbington, 1991). However, Tan and Tower (1992) claimed that the efforts made by the tax authority at that time to simplify the tax law failed. In the study, the Flesch Reading Ease Index (FRES) was used to measure the readability level. The analysis was carried out on the New Zealand tax legislation, Tax Information Bulletins (TIBs) and Tax Return Guides. The FRES Index measures the difficulty ranging from zero (most difficult) to 100 (least difficult). Their findings indicate that there was no progress with simplification at that time, except for the Tax Return Guides. Therefore, they recommended that shorter sentences and an active style of writing will help improve the readability of tax legislation and consequently reduce the complexity of the tax law.

A later study by Pau et al. (2007), however, provides contrary evidence on tax simplification in New Zealand. The researchers test the effectiveness of the newly written Income Tax Act 2004,<sup>2</sup> TIBs and binding rulings using readability measures, namely the FRES, Flesch-Kincaid Grade Level Index (F-KGL), average sentence length and percentage of passive sentences. They found

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<sup>2</sup> This new legislation contains further changes made to Parts A and B, the rewritten sections of Parts C, D and E with re-enactment of the other parts (Pau et al., 2007).

significant improvements in respect of tax simplicity through these measures. Sawyer (2007) agreed that there have been some improvements in tax simplification but continual change to the legislation has to a certain extent delayed the rewrite programme (and also delayed the benefits).<sup>3</sup>

As an extension to the previous studies (Pau et al., 2007; Richardson & Sawyer, 1998; Tan & Tower, 1992), Saw and Sawyer (2010) recently examined the readability of a sample of the selected sections of the Income Tax Act 2007, TIBs and binding rulings using similar measures as in Pau et al. (2007). Overall the results suggested further significant success to the rewrite project, undertaken by the New Zealand government in its tax simplicity goals in the context of improved readability. Interestingly, the Income Tax Act 2007 appeared to be more readable compared to either binding rulings or TIBs although these tax-related materials are supposed to be the explanatory materials. Following this rewrite project, the results of this study also indicates that the percentage of people with an education level of Years 11-13 to understand the Income Tax Act 2007 has significantly increased.

Content complexity is also present in Australian tax legislations where it forces taxpayers to engage tax agents to deal with their tax matters (McKerchar, 2001; 2003). McKerchar (2003) further identified the most common problem faced by taxpayers is to understand the instructions in the Taxpack 2000. This is followed by the problems of understanding the rules, the tax return forms and other relevant written information provided by the tax authority.

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<sup>3</sup> The rewrite programme started in 1993 and the final stage was completed when legislation was passed by the New Zealand Parliament on October 25, 2007 (Sawyer, 2007).

In Malaysia, Mustafa (1996), who studied taxpayers' perceptions towards SAS which was to be introduced (at that time), suggested the presence of tax complexity in Malaysia, particularly in terms of record-keeping, too much detail in the tax law and ambiguity. The findings are partly consistent with the six potential causes of complexity labelled as: ambiguity, calculations, changes, details, forms and record keeping, identified by Long and Swingen (1987). Interestingly, a more recent survey undertaken among the salaried taxpayers also suggested the complexity of the contents of the income tax law (Saad, 2011), despite having less computation involved (compared to the business taxpayers) in complying with their tax responsibilities. Similarly, the most recent study undertaken by Isa (2014) also found the presence of tax complexity, which are categorized into tax computations, record-keeping and tax ambiguity. In that study, the author interviewed 60 tax auditors and surveyed a number of corporate taxpayers. While these three studies (i.e. Mustafa, 1996; Saad, 2011; Isa, 2014) are mainly based on perceptions, they provide an indication that the Malaysian taxation laws (in particular, the ITA 1967) and supplementary materials (i.e. Public Rulings) are also having readability issue.

Based on the discussion above, it is therefore hypothesised that:

*H1: The readability of the Income Tax Act 1967 is low.*

*H2: The readability of the Schedules to the Income Tax Act 1967 is low.*

*H3: The readability of the Public Rulings is low.*

## **5.0 RESEARCH METHOD**

This section sets out the sample of the study, data analysis and measures of readability that being adopted in this study.

## **5.1 Sample**

There are a number of Acts involve in complying with the income tax obligation, such as the ITA 1967, the Promotion of Investment Act 1986, the Partnership Act 1961, the Real Property Gains Tax Act 1976 (RPGT 1976), etc. In addition, various Public Rulings and guidelines have been issued to assist the taxpayers in this matter. However, for the purpose of this study, the focus is on the ITA 1967, its associated Schedules and Public Rulings issued in connection with the ITA 1967. The reason being is that these documents are considered the primary source of reference to general taxpayers compared to the other Acts in meeting their tax obligations. The ITA 1967 comprise of 13 Parts. However, only 12 Parts were examined since the first Part, which is the Preliminary section merely contains the definition of the terms used in the Act. With regard to Schedules and Public Rulings, all 13 Schedules and 73 Public Rulings issued from the year 2000 to 2013 were selected under study. These documents were obtained from the IRB website in *pdf* format and converted into *Word* document for data analysis purpose.

## **5.2 Data Analysis**

This study adopts content analysis to answer the objectives of the study. In summary, content analysis is defined as a scientific, objective, systematic, quantitative and generalizable description of communications content (Kassarjian, 1977). In relation to this, Hsieh and Shannon (2005) categorized content analysis into three categories, namely conventional, directed or summative. The key difference among these categories emerges from how the initial codes are developed, as indicated in Table 1. Another category of content analysis is thematic content analysis (Sydserff, 2002). This category is further divided into ‘form-oriented’ analysis and ‘meaning-oriented’ analysis (Smith & Taffler, 2000). While ‘form-oriented’ analysis focuses on



counting of words, ‘meaning-oriented’ analysis deals with the underlying themes in the texts (Smith & Taffler, 2000). For the purpose of this study, ‘form-oriented’ analysis is adopted where four readability measures, namely FRES, F-KGL, average sentence length and the percentage of passive voice were used. These measures have been widely used by previous researchers to measure the readability of written documents in taxation studies (e.g. Saw & Sawyer, 2010; Pau et al., 2007; Smith & Richardson, 1999). These measures were calculated using Microsoft Words 2000.

**Table 1**  
**Major Coding Differences among Three Categories of Content Analysis**

<b>Type of Content Analysis</b>	<b>Study Starts With</b>	<b>Timing of Defining Codes or Keywords</b>	<b>Source of Codes or Keywords</b>
Conventional	Observation	During data analysis	Codes are derived from data
Directed	Theory	Before and during data analysis	Codes are derived from theory or relevant findings
Summative	Keywords	Before and during data analysis	Keywords are derived from interest of researchers or literature review

Source: Hsieh & Shannon (2005)

### 5.3 Measures of Readability

FRES measures the readability of technical writing, rates texts on a 100-point scale, where higher scores indicate easier-to-read materials whilst lower scores mark harder-to-read materials.

A score between 60-70 is considered to be acceptable. The formula for the FRES is as follows:

$$\text{FRES} = 208.835 - 0.846(\text{ASW}) - 84.6 (\text{ASL})$$

Where:

ASW = is the total syllables/total words = average number of syllables per word;

ASL = is the total words/total sentences = average sentence length.

Using the formula, the scores obtained are matched against the general reading ease scale as highlighted in Table 2.

**Table 2**  
**FRES Scores Description**

<b>FRES</b>	<b>General Reading Ease Scale</b>
Below 30	Very difficult
30 – 50	Difficult
50.1 – 60	Fairly difficult
60.1 – 70	Standard
70.1 – 80	Fairly easy
80.1 – 90	Easy
90.1 – 100	Very easy

Source: Flesch (1948)

F-KGL on the other hand, translates the 0-100 raw FRES into a school grade level, which may indicate the number of years of education generally required to understand the materials (refer Table 3). The formula is as shown below:

$$\text{F-KGL} = 0.39 (\text{words/sentence}) + 11.8 (\text{syllables/word}) - 15.59$$

**Table 3**  
**F-KGL Description**

<b>FRES</b>	<b>F-KGL Readability Score</b>	<b>Corresponding Education Level*</b>
Below 30	17 and above	Postgraduate
30 – 50	13.1 – 16.9	Undergraduate
50.1 - 60	12.1 - 13	Matriculation/STPM/Diploma
60.1 - 70	9.1 – 12	SPM
70.1 - 80	7.1 – 9	PMR
80.1 - 90	6.1 – 7	Primary School Leaver
90.1 - 100	1 – 6	Primary School

Source: Flesch (1948)

\* Based on corresponding education system in Malaysia

Average sentence length and the percentage of passive sentences in the ITA 1967 and Public Rulings are calculated in percentage on the overall tax materials. The threshold for average sentence length and percentage of passive sentences is 20 words per sentences and 20%,

respectively. Any materials with the scores above the given threshold will be regarded as having low readability.

## **6.0 RESULTS AND DISCUSSIONS**

As mentioned earlier, this study analyses the readability of the ITA 1967 including Schedules and Public Rulings. Therefore, this section discusses the results of the readability analysis of the documents beginning with the ITA 1967 and followed by the Public Rulings.

### **6.1 ITA 1967 and Schedules to the ITA 1967**

The ITA 1967 is divided into 12 parts as shown in Table 4. The FRES analysis on the ITA 1967 reveals an average score of 33.5. This score falls behind the acceptable readability score of between 60 and 70, thus indicates low readability of the ITA 1967. Observing the scores for each Part of the legislation further highlights that the most difficult Part with a score of 30.7 is *Part 11: Supplemental*. Referring to the summary of readability of the ITA 1967 in Table 5, it appears that all 12 Parts of the ITA 1967 fall within the category of difficult materials. None of them are regarded as fairly difficult or standard.

There are 13 Schedules in the ITA 1967 as listed in Table 6. The FRES analysis on all Schedules reveals an average score of 29.5. This score falls behind the acceptable readability score of between 60 and 70, which indicate low readability of the Schedules. Specifically, the scores for each Schedule highlight that the most difficult Schedule with a score of 20.7 is *Schedule 3: Capital Allowances and Charges*. Referring to the summary of readability of the

Schedules in Table 7, it appears that all 13 Schedules of the ITA 1967 fall within the category of difficult materials where six (6) Schedules (46%) are classified as very difficult.

Interestingly, this finding is favorable as compared to the Australian ITA 1976, i.e. before the rewriting effort of which 100% were regarded as very difficult. Since then, the legislation has undergone the rewrite process and has now become more readable with at least 4% are considered as fairly easy, 12% reaches standard level and 23% fairly difficult (Saw & Sawyer, 2010). Similarly, the New Zealand Income Tax legislation also experienced improvement after the rewrite process, with 23% of the Sections are regarded as fairly difficult, 8% reaches the standard level and 2% are fairly easy (Saw & Sawyer, 2010). Hence, comparing the ITA 1967 with the current Income Tax legislations of New Zealand and Australia, the ITA 1967 is far behind in terms of the level of readability.

**Table 4**  
**Readability of ITA 1967**

<b>Parts</b>	<b>FRES</b>	<b>F-KGL</b>	<b>ASL</b>	<b>PPV</b>
<b>Average Score</b>	<b>33.5</b>	<b>16.3</b>	<b>32.9</b>	<b>14.0</b>
Part 2: Imposition and General Characteristics of the Tax	41.8	13.2	24.6	18.0
Part 3: Ascertainment of Chargeable Income	34.0	16.0	32.4	11.0
Part 4: Persons Chargeable	35.9	15.6	31.2	14.0
Part 5: Returns	35.9	15.9	31.9	16.0
Part 6: Assessments and Appeals	35.9	16.1	33.3	19.0
Part 7: Collection and Recovery of Tax	34.2	16.8	35.9	16.0
Part 7A: Fund for Tax Refund	41.6	14.8	31.7	43.0
Part 8: Offences and Penalties	36.7	14.8	28.4	12.0
Part 9: Exemptions, Remission and Other Relief	40.5	13.9	27.3	21.0
Part 9A: Special Incentive Relief	43.1	11.1	15.7	25.0
Part 10: Supplemental	32.0	15.6	28.5	20.0
Part 11: Supplemental	30.7	16.1	28.7	8.0

While all Parts of the ITA 1967 are considered the backbones of the income tax system, Parts 3-9 would be more applicable to greater range of taxpayers, including salaried individuals, business taxpayers and companies as they relate to the whole process of computing, filing and paying tax. Thus, it is expected that these Parts to be written in a more readable manner. However, Table 4 clearly sets out the FRES scores which fall below the acceptable benchmark range of 60 to 70, indicating low readability level.

Results obtained from the F-KGL index provide a similar outcome with an average score of 16.3 for all Parts (refer Table 4) and 17.6 for all Schedules (refer Table 6). A major concern is the number of Parts and Schedules that recorded an average F-KGL index of above 12 which indicates that the document is difficult and has low readability level. In particular, Tables 5 and 7 respectively exhibit that 11 out of the 12 Parts (92%) and six (6) Schedules (46%) achieved the score of between 13.1 and 16.9 which indicates low readability. On top of that, seven (7) Schedules (54%) score above 17. Only one Part (8%) that is *Part 9A: Special Incentive Relief* appears to have an acceptable readability level.

Relating the F-KGL scores with education level, it is found that only *Part 9A* is considered readable and understandable by the secondary school leavers with Malaysian Education Certificate (SPM) qualification. The other Parts and Schedules of the ITA 1967 require undergraduate and postgraduate level of education to be able to understand the contents. These findings are considered unsatisfactory especially when compared to Malaysian statistics on the number of citizens receiving university education of only 28.2% of the population (UNESCO,

2013). Furthermore, it is worth noting that the taxpayers may include people from various education backgrounds.

Another important issue that should be considered with respect to the readability of the ITA 1967, is the use of passive sentences. Table 4 shows that the average percentage of passive sentences in the ITA 1967 is 14%. The results compare favorably with the Australian ITA 1997 and the New Zealand ITA 2007 which recorded 20.81% (Smith & Richardson, 1999) and 21% (Saw & Sawyer, 2010), respectively. Further, Table 5 shows that out of 12 Parts, nine (9) Parts (75%) have met the threshold of 20% or less of passive sentences, indicating reasonable level of readability. Only three (3) Parts (25%) of the ITA 1967 have exceeded the threshold level, i.e. *Part 7A: Fund for Tax Refund*, *Part 9: Exemptions, Remission and Other Relief* and *Part 9A: Special Incentive Relief*, with scores of 43%, 21% and 25%, respectively.

Table 6 shows that the average percentage of passive sentences in the Schedules to ITA 1967 is 14.8%. Further, Table 7 shows that out of 13 Schedules, eight (8) Schedules (62%) have met the threshold of 20% or less of passive sentences, indicating reasonable level of readability. The other five (5) Schedules (38%) of the ITA 1967 have exceeded the threshold level of 20%. Similar to the ITA 1967, the percentage of passive sentences in the Schedules to ITA 1967 also compares favorably to Australian and New Zealand counterpart.

With regard to the average sentence length, Table 4 shows that the ITA 1967 has an average of 32.9 words per sentence while Table 6 shows that the Schedules in the ITA 1967 has an average of 34.9 words. The scores exceed the threshold level of 20. Only *Part 9A: Special Incentive*

*Relief* has met this criteria with a score of 15.7. *Part 7: Collection and Recovery of Tax*, on the other hand, has an average of 35.9 words per sentence. All Schedules in the ITA 1967 has an average sentence length of above 25 with the lowest of 25.8 (*Schedule 4C: Deduction for Approved Food Production Projects*) and the highest of 51.4 (*Schedule 4: Abortive Expenditure on Prespecting Expenditures*). The result compares favorably with the results obtained by Saw and Sawyer (2010). However, the Australian ITA 1997 had better score with 22.27 (Smith & Richardson, 1999).

Overall, the results on the readability of the ITA 1967 using the FRES, F-KGL and average sentence length analysis indicate that the tax legislation is complex and difficult to be understood by the average Malaysian taxpayers. The results do not only provide support to the Hypothesis 1 of the study that the readability of the ITA 1967 is low but also consistent with Saad (2011) and Isa (2014) who explored the views of taxpayers on the complexity of the tax system. Interestingly, the ITA 1967 is found to have reasonable percentage of passive sentences, thus making it much easier to understand as active sentences are viewed to be more straightforward. Similarly, the results also support Hypothesis 2 that the Schedules to the ITA 1967 has low level of readability.

**Table 5**  
**Summary of Readability of ITA 1967**

<b>FRES</b>				<b>F-KGL</b>				<b>ASL</b>			<b>PPV</b>		
<b>Scale</b>	<b>#</b>	<b>%</b>	<b>General Reading Ease Scale</b>	<b>Scale</b>	<b>#</b>	<b>%</b>	<b>Education Level</b>	<b>Scale</b>	<b>#</b>	<b>%</b>	<b>Scale</b>	<b>#</b>	<b>%</b>
Below 30	0	0	Very difficult	17 and above	0	0	Postgraduate	Above 20	11	92%	Above 20%	3	25%
30 - 50	12	100%	Difficult	13.1 - 16.9	11	92%	Undergraduate	20 and below	1	8%	20% and below	9	75%
50.1 - 60	0	0	Fairly difficult	12.1 - 13.0	0	0	Matriculation STPM/Diploma						
60.1 - 70	0	0	Standard	9.1 - 12.0	1	8%	SPM						
70.1 - 80	0	0	Fairly easy	7.1 - 9.0	0	0	PMR						
80.1 - 90	0	0	Easy	6.1 - 7.0	0	0	Primary School Leaver						
90.1 - 100	0	0	Very easy	1.0 - 6.0	0	0	Primary School						
<b>Total</b>	<b>12</b>	<b>100%</b>		<b>Total</b>	<b>12</b>	<b>100%</b>		<b>Total</b>	<b>12</b>	<b>100%</b>	<b>Total</b>	<b>12</b>	<b>100%</b>



**Table 6**  
**Readability of the Schedules to ITA 1967**

<b>Schedules</b>	<b>FRES</b>	<b>F-KGL</b>	<b>ASL</b>	<b>PPV</b>
<b>Average Score</b>	<b>29.6</b>	<b>17.6</b>	<b>34.9</b>	<b>14.8</b>
Schedule 1: Rates of Tax	32.5	16.0	29.3	17.0
Schedule 2: Deductions for Capital Expenditure on Mines	26.6	19.9	43.3	7.0
Schedule 3: Capital Allowances and Charges	20.7	21.6	48.3	12.0
Schedule 4: Abortive Expenditure on Prospecting Expenditures	20.9	23.1	51.4	27.0
Schedule 4A: Capital Expenditure on Approved Agricultural Projects	32.1	17.6	37.8	11.0
Schedule 4B: Qualifying Pre-Operational Business Expenditure	23.0	19.9	39.8	0.0
Schedule 4C: Deduction for Approved Food Production Projects	35.7	13.7	25.8	23.0
Schedule 5: Appeals	38.1	16.5	36.8	26.0
Schedule 6: Exemption from Tax	30.0	15.9	28.2	7.0
Schedule 7: Double Taxation Relief	28.2	18.9	40.4	33.0
Schedule 7A: Reinvestment Allowance	30.9	15.9	31.0	9.0
Schedule 7B: Investment Allowance for Services Sector	25.1	20.1	41.7	21.0
Schedule 8: Repeals	41.0	9.3	7.3	0.0

**Table 7**  
**Summary of Readability of the Schedules to ITA 1967**

<b>FRES</b>				<b>F-KGL</b>				<b>ASL</b>			<b>PPV</b>		
<b>Scale</b>	<b>#</b>	<b>%</b>	<b>General Reading Ease Scale</b>	<b>Scale</b>	<b>#</b>	<b>%</b>	<b>Education Level</b>	<b>Scale</b>	<b>#</b>	<b>%</b>	<b>Scale</b>	<b>#</b>	<b>%</b>
Below 30	6	46%	Very difficult	17 and above	7	54%	Postgraduate	Above 20	12	92%	Above 20%	5	38%
30 - 50	7	54%	Difficult	13.1 - 16.9	6	46%	Undergraduate	20 and below	1	8%	20% and below	8	62%
50.1 - 60	0	0	Fairly difficult	12.1 - 13.0	0	0	Matriculation						
60.1 - 70	0	0	Standard	9.1 - 12.0	0	0	STPM/Diploma						
70.1 - 80	0	0	Fairly easy	7.1 - 9.0	0	0	SPM						
80.1 - 90	0	0	Easy	6.1 - 7.0	0	0	PMR						
90.1 - 100	0	0	Very easy	1.0 - 6.0	0	0	Primary School Leaver						
<b>Total</b>	<b>13</b>	<b>100%</b>		<b>Total</b>	<b>13</b>	<b>100%</b>		<b>Total</b>	<b>13</b>	<b>100%</b>	<b>Total</b>	<b>13</b>	<b>100%</b>

## 6.2 Public Rulings

In the analysis of the readability of the income tax legislations, the researchers singled out the analysis on Public Rulings considering their role to explain or clarify the sections in the ITA 1967. It is expected that the Public Rulings will fittingly score high on readability. Unfortunately, the analysis on the Public Rulings issued from the year 2000 to 2013 reveal an average Flesch score of 32.3 (refer Table 8). Further, Table 8 exhibits that the range scores for the 71 Public Rulings are between 1.6 and 51.2. This finding indicates low readability of the Public Rulings. The most difficult Public Ruling with 1.6 score is *PR5/2001 on Basis Period for a Business Source (Cooperatives)* while the *Addendum to PR2/2005 on Computation of Income Tax Payable by a Resident Individual* is considered fairly difficult, with a score of 51.2. This is the only Public Ruling that fall within 'fairly difficult' category while the rest are considered as either very difficult or difficult. Specifically, Table 9 shows that out of 71 Public Rulings, 21 (30%) are regarded as very difficult such as *PR1/2013*, *PR5/2012* and *PR1/2012*, which deal with deductions for promotion of exports, clubs, association or similar institutions and compensation for loss of employment, respectively. The remaining 49 Public Rulings which account for 69% appear to be difficult. Among the Public Rulings that are considered difficult include *PR4/2013 on Accelerated Capital Allowance*, *PR3/2013 on Benefits in Kind*, *PR2/2013 on Perquisites from Employment* and *PR5/2013 on Taxation of Unit Holders of Unit Trust Funds*.

**Table 8**  
**Readability of Public Rulings**

<b>Public Rulings</b>	<b>FRES</b>	<b>F-KGL</b>	<b>ASL</b>	<b>PPV</b>
<b>Average Score</b>	<b>32.3</b>	<b>14.2</b>	<b>22.2</b>	<b>31.3</b>
PR 4/2013: Accelerated Capital Allowance	31.1	14.0	20.7	30.0
PR 3/2013: Benefits in kind	41.0	12.1	18.7	38.0
PR 1/2013: Deductions for Promotion of Exports	20.5	15.5	20.8	18.0
PR 2/2013: Perquisites from Employment	38.5	13.7	23.4	31.0
PR 5/2013: Taxation of Unit Holders of Unit Trust Funds	39.8	11.4	15.2	3.0
PR 7/2013: Unit Trust Funds – Part 1: An Overview	35.5	13.0	19.2	23.0
PR 6/2013: Unit Trust Funds – Part 2: Taxation of Unit Trusts	35.7	13.1	19.8	19.0
PR 3/2012: Appeal against an Assessment	39.7	13.0	21.5	45.0
PR 5/2012: Clubs, Association or Similar Institutions	29.8	14.1	20.4	30.0
PR 1/2012: Compensation for Loss of Employment	29.5	14.1	20.1	32.0
PR 4/2012: Deduction for Loss of Cash and Treatment of Recoveries	49.2	10.6	17.1	38.0
PR 11/2012: Employee Share Scheme Benefit	38.1	13.4	22.0	38.0
PR 2/2012: Foreign Nationals Working in Malaysia – Tax Treaty Relief	30.8	14.0	20.7	20.0
PR 8/2012: Real Estate Investment Trusts/Property Trust Funds – An Overview	35.9	12.5	17.2	13.0
PR 6/2012: Reinvestment Allowance	28.4	14.9	22.9	27.0
PR 12/2012: Share Schemes Benefit for Cross Border Employees	34.3	14.1	22.7	48.0
PR 10/2012: Tax Treatment of Malaysian Ship	37.8	13.7	23.3	33.0
PR 9/2012: Taxation of Real Estate Investment Trusts/Property Trust Funds	35.5	13.8	22.2	25.0
PR 7/2012: Taxation of Unit Holders of Real Estate Investment Trusts/Property Trust Funds	35.7	13.8	22.3	26.0
PR 11/2011: Bilateral Credit and Unilateral Credit	35.0	13.9	22.4	35.0
PR 9/2011: Cooperative Society	21.3	15.6	21.7	46.0
PR 8/2011: Foreign Nationals Working in Malaysia – Tax Treatment	24.8	14.6	19.6	27.0
PR 10/2011: Gratuity	32.0	14.1	21.6	21.0
PR 4/2011: Income from Letting of Real Property	36.7	14.1	24.2	57.0
PR 2/2011: Interest Expense and Interest Restriction	38.5	13.4	22.5	40.0
PR 3/2011: Investment Holding Company	36.1	14.3	24.5	38.0
PR 7/2011: Notification of Change in Accounting Period of a Company, Trust Body/ Cooperative Society	26.7	15.1	22.5	34.0
PR 5/2011: Residence Status of Companies and Bodies of Persons	<b>36.5</b>	12.8	18.7	33.0
PR 6/2011: Residence Status of Individuals	<b>30.8</b>	14.2	21.1	19.0
PR 12/2011: Tax Exemption on Employment Income of Non-Citizen Individuals Working for Certain	23.5	14.8	19.5	24.0

Companies in Malaysia				
PR 1/2011: Taxation of Malaysian Employees Seconded Overseas	42.5	9.5	9.0	13.0
PR 2/2010: Allowable Pre-operational and Pre- commencement of Business Expenses	20.6	15.9	22.2	40.0
PR 1/2010: Withholding Tax on Income under Paragraph 4(f)	37.9	14.3	25.5	24.0
Addendum to PR 4/2005: Withholding Tax on Special Classes of Income	36.1	15.7	30.5	21.0
2 <sup>nd</sup> Addendum to PR 4/2005: Withholding Tax on Special Classes of Income	14.2	16.9	22.9	34.0
PR 2/2009: Construction Contracts	32.7	14.6	24.1	46.0
PR 3/2009: Professional Indemnity Insurance	36.5	13.6	21.9	29.0
PR 1/2009: Property Development	33.0	14.4	23.3	40.0
Addendum to PR 6/2005: Trade Association	11.4	21.2	38.7	42.0
PR 6/2005: Trade Association	31.8	14.6	23.9	30.0
PR 3/2005: Living Accommodation Benefit Provided for the Employee by the Employer	<b>34.1</b>	13.5	20.3	21.0
Addendum to PR 3/2005: Living Accommodation Benefit Provided for the Employee by the Employer	<b>22.1</b>	16.9	27.4	22.0
PR 1/2008: Special Allowances for Small Value Assets	33.0	15.7	28.5	28.0
PR 3/2008: Entertainment Expense	35.0	13.6	21.1	24.0
PR 2/2005: Computation of Income Tax Payable by a Resident Individual	<b>45.1</b>	11.2	17.5	25.0
Addendum to PR 2/2005: Computation of Income Tax Payable by a Resident Individual	<b>51.2</b>	11.2	20.6	40.0
2 <sup>nd</sup> Addendum to PR 2/2005: Computation of Income Tax Payable by a Resident Individual	24.1	16.2	25.5	32.0
PR 5/2004: Double Deduction Incentive on Research Expense	25.7	15.0	21.9	34.0
Addendum to PR 5/2004: Double Deduction Incentive on Research Expense	22.8	15.9	23.5	38.0
PR 1/2003: Tax Treatment of Leave Passage	31.4	15.2	25.5	28.0
Addendum to PR 1/2003: Tax Treatment of Leave Passage	30.0	14.5	22.0	47.0
PR 2/2006: Tax Borne by Employers	28.4	17.4	32.8	24.0
PR 4/2006: Valuation of Stock in Trade and Work in Progress Part 1	48.9	12.8	25.9	34.0
PR 6/2006: Tax Treatment of Legal and Professional Expenses	38.8	13.3	22.3	29.0
PR 1/2005: Computation of Total Income for Individual	33.9	14.5	24.3	31.0
PR 4/2005: Withholding Tax on Special Classes of Income	38.9	13.3	22.3	29.0
PR 2/2003: Key-man Insurance	34.9	14.5	24.7	33.0
PR 1/2002: Deduction for Bad and Doubtful Debts and	38.7	14.3	26.7	41.0

Treatment of Recoveries				
PR 1/2001: Ownership of Plant and Machinery for the Purpose of Claiming Capital Allowance	42.2	11.9	19.6	15.0
PR 2/2001: Computation of Initial and Annual Allowances in Respect of Plant and Machinery	<b>42.0</b>	11.2	24.3	31.0
PR 4/2001: Basis Period for a Non-Business Source (Individuals and Persons Other than Companies)	24.4	14.7	19.5	9.0
PR 5/2001: Basis Period for a Business Source (Co-operatives)	<b>1.6</b>	18.0	20.1	26.0
PR 6/2001: Basis Period for a Business Source (Individuals and Persons Other than Companies or Cooperatives)	5.8	17.2	19.2	22.0
PR 7/2001: Basis Period for Business and Non-Business Sources (Companies)	7.3	17.1	19.7	21.0
PR 1/2000: Basis Period for Non-business Source	31.0	13.4	18.0	12.0
PR 2/2000: Basis Period for a Business Source (Companies and Cooperatives)	8.8	16.6	18.8	16.0
PR 4/2000: Keeping Sufficient Records (Companies and Cooperatives)	45.5	10.9	16.1	<b>46.0</b>
PR 5/2000: Keeping Sufficient Records (Individuals and Partnerships)	50.0	11.3	20.5	<b>73.0</b>
PR 6/2000: Keeping Sufficient Records (Persons Other than Companies and Cooperatives)	46.4	12.6	23.4	<b>72.0</b>
PR 7/2000: Providing Reasonable Facilities and Assistance	35.0	14.5	25.0	<b>57.0</b>
PR 8/2000: Wilful Evasion of Tax and Related Offences	33.9	15.5	29.5	35.0

Important areas of Public Rulings are those that deal with residence status and compliance requirement such as *PR5/2011: Residence Status of Companies and Bodies of Persons*, *PR6/2011: Residence Status of Individuals*, *PR2/2005: Computation of Income Tax Payable by a Resident Individual* and *PR2/2001: Computation of Initial and Annual Allowances in respect of Plant and Machinery*. These Public Rulings had average Flesch scores of 36.5, 30.8, 45.1 and 42.0, respectively (refer Table 8). These scores fall below the acceptable benchmark range of 60 to 70. This indicates that these key Public Rulings are difficult to read and understand.

Another important area of Public Rulings which is considered difficult is taxation of Unit Trust Funds as explained in *PR5/2013*, *PR7/2013*, and *PR6/2013*. Notwithstanding the fact that these three Rulings have been issued to further explain the relevant section in the ITA 1967, they themselves are considered difficult to understand. Similar scenario happens to *Addendum to PR3/2005: Living Accommodation Benefit Provided for the Employee by the Employer* which was issued to explain not only the relevant section in the Act but also to clarify the existing *PR3/2005*. However, the Addendum appears to be even more difficult with a Flesch score of 22.1 compared to a score of 34.1 for *PR3/2005* (refer Table 8).

The results of this study allow interesting comparison with those obtained by Smith and Richardson (1999). In that study, the researchers investigated the readability of Australian Taxation Rulings 1997 and found the Flesch scores between 23.4 and 44.1. The scores fall below acceptable readability benchmarks and shared similar concern with the Public Rulings under study, which are considered difficult. The results are also comparable with Saw and Sawyer (2010) who studied the readability of Binding Rulings and recorded the Flesch scores between 16.9 and 58.4.

Results obtained from the F-KGL index provide a similar outcome with a score of 14.2. Of major concern is the number of Public Rulings that recorded average F-KGL index of above 12. In particular, Table 9 exhibits that 62 Public Rulings out of 71 (87%) achieved the score of above 12, indicating low readability. Moreover, five (5) Public Rulings require postgraduate qualification to enable the readers to understand them. Only nine (9) Public Rulings (13%) appear to be readable and understandable by the secondary school leavers with Higher Education

Certificate (SPM) qualification. This finding is considered unsatisfactory especially when compared to Malaysian statistics on the number of citizens with tertiary qualification of 28.2% of the population (UNESCO, 2013). The findings are comparable with Saw and Sawyer (2010) who recorded similar scores of above 12 (except for two Binding Rulings with 8.3 and 10.8), indicating low readability. However, the results compare unfavorably with the results obtained by Smith and Richardson (1999) who recorded the average F-KGL index between 11.85 and 12.

Another important issue that should be considered with respect to the readability of the Public Rulings, is the use of passive sentences. Although the recommended percentage of passive sentence is 20% or below, Table 8 shows that on average every Public Ruling under study has 31.3% passive sentences. Further, Table 8 highlights that only 11 Public Rulings (15%) have met the threshold of 20% or less of passive sentences, indicating reasonable level of readability. It is also worth to mention that another 60 Public Rulings (85%) have exceeded the threshold level. In fact, some of the Public Rulings have achieved more than 50% of passive sentences such as *PR4/2000: Keeping Sufficient Records (Companies and Cooperatives)*, *PR5/2000: Keeping Sufficient Records (Individuals and Partnership)*, *PR6/2000: Keeping Sufficient Records (Persons other than Companies and Cooperatives)* and *PR7/2000: Providing Reasonable Facilities and Assistance*. Similar to F-KGL index, the Australian Taxation Rulings appear to have better score than the Malaysian Public Rulings in terms of the percentage of passive sentence, with only one Tax Rulings had 30% passive sentence. The remaining Rulings have been expressed in active sentences (Smith & Richardson, 1999). The New Zealand counterpart also compares favourably with the Malaysian Public Rulings in terms of the percentage of passive sentence, with 44% exceeded the threshold level (Saw & Sawyer, 2010).



The final measure of readability is through the number of words per sentence. As indicated earlier, in order to be considered readable, the average number of words per sentence should not exceed 20. Unfortunately, the average number of words documented on the Public Rulings is 22.2. In fact, only 18 Public Rulings (25%) have met the threshold level (refer Table 9). Surprisingly, there are Public Rulings that have sentences with an average of more than 30 words per sentence such as *Addendum to PR4/2005: Withholding Tax on Special Classes of Income (30.5)* and *Addendum to PR6/2005: Trade Association (38.7)*. This is the only measure that produce the results which compare favorably with the results obtained by Smith and Richardson (1999) and Saw and Sawyer (2010). In both studies, only one Ruling that scored below the threshold level while the remaining Rulings exceeded the average of 20 words per sentence. Further, *TR 97/22* of Australian Tax Rulings has recorded an average of 40 words per sentence (Smith & Richardson, 1999). Interestingly, *BR Pro 08/06* of New Zealand Binding Rulings had an average of 103 words per sentence (Saw & Sawyer, 2010).

Overall, the results on the readability of Public Rulings indicate that the vast majority of the Public Rulings is complex and difficult to understand by the average Malaysian taxpayers. The results provide support to Hypothesis 3 of the study that the readability of the Public Rulings is low. Notwithstanding the purpose of Public Rulings as explanatory materials to the existing legislations, their low readability level has actually defeated the purpose. The results are consistent with Natrah (2011) who explored the views of taxpayers on the complexity of the tax system. In that study, the researcher claimed that taxpayers attributed their non-compliance behaviour to the complexity of the income tax system.

**Table 9**  
**Summary of Readability of Public Rulings**

<b>FRES</b>				<b>F-KGL</b>				<b>ASL</b>			<b>PPV</b>		
<b>Scale</b>	<b>#</b>	<b>%</b>	<b>General Reading Ease Scale</b>	<b>Scale</b>	<b>#</b>	<b>%</b>	<b>Education Level</b>	<b>Scale</b>	<b>#</b>	<b>%</b>	<b>Scale</b>	<b>#</b>	<b>%</b>
Below 30	21	30%	Very difficult	17 and above	5	7%	Postgraduate	Above 20	53	75%	Above 20%	60	85%
30 - 50	49	69%	Difficult	13.1 - 16.9	51	72%	Undergraduate	20 and below	18	25%	20% and below	11	15%
50.1 - 60	1	1%	Fairly difficult	12.1 - 13.0	6	8%	Matriculation STPM/Diploma						
60.1 - 70	0	0	Standard	9.1 - 12.0	9	13%	SPM						
70.1 - 80	0	0	Fairly easy	7.1 - 9.0	0	0	PMR						
80.1 - 90	0	0	Easy	6.1 - 7.0	0	0	Primary School Leaver						
90.1 - 100	0	0	Very easy	1.0 - 6.0	0	0	Primary School						
<b>Total</b>	<b>71</b>	<b>100%</b>		<b>Total</b>	<b>71</b>	<b>100%</b>		<b>Total</b>	<b>71</b>	<b>100%</b>	<b>Total</b>	<b>71</b>	<b>100%</b>

## **7.0 CONCLUSION, LIMITATIONS AND FUTURE RESEARCH**

This study examines the complexity of Malaysian Income Tax system through the readability perspective. For that purpose, the ITA 1967, the Schedules to the ITA 1967 and the Public Rulings were analysed using four established readability measures namely the FRES, F-KGL, average sentence length and percentage of passive sentence. The results from FRES and F-KGL scores for the ITA 1967, the Schedules and the Public Rulings indicate that the level of readability of Malaysian tax legislations and supplementary materials is low and the materials can only be well understood by those who studied at undergraduate and postgraduate level. This is unfortunate since the statistics issued by UNESCO (2013) shows that only 28.2% of Malaysian population possess tertiary education. Furthermore, it is worth to note that these tax legislations are to be read by various parties such as tax agents, business owners, salaried individuals and tax officials in order to assist them with tax matters. However, in reality, these people may not receive such tertiary education that may hinder them from understanding the income tax matters.

It is also interesting to note that although the issuance of the Schedules and the Public Rulings were intended to clarify any ambiguity arising from the ITA 1967, the results show that they are equally difficult. In fact, more than one-third of the Schedules and the Public Rulings fall within a 'very difficult' category. This situation indicates the failure of the existing supplementary materials to serve their roles as explanatory materials. In short, it can be concluded that the Malaysian tax legislations are complex and difficult to understand. This complexity of tax materials may lead to an increase in compliance cost among taxpayers (Richardson & Smith, 2002), which eventually result in non-compliance.

These findings on the readability of the tax legislations may provide new knowledge to the literature. The existing studies on tax complexity in Malaysia have been focusing on taxpayers' perceptions (which is subjective in nature) whilst this study investigates the complexity using the well established measures to examine the complexity level in a more objective manner. Based on the research findings, it is proposed that the ITA 1967, the Schedules as well as the Public Rulings should be re-written by taking into consideration the level of readability of the documents. The documents should be drafted using simple words and shorter sentences so that they can be understood by the majority of the public. In relation to this, the Inland Revenue Board Malaysia should form a working committee representing various groups of Malaysian population in drafting the income tax related documents. A similar re-writing exercise has been conducted in Australia, New Zealand and the United States and they have proven the success of such effort. Thus, it is about time for Malaysian government to consider this exercise to ensure greater compliance among the taxpaying public. Research has evidenced that the level of tax law complexity has significant association with the degree of compliance.

Although the four readability measures used in this study has provided good indication of the readability of tax legislations, they are not without their limitations. For instance, Redish and Selzer (1985) claimed that these readability measures are inadequate since they did not consider the content, organization and layout of the reading materials. Notwithstanding this, prior research has confirmed the usefulness of this readability formulae to assist in predicting the readability of business and legal documents (e.g. Tan & Tower, 1992; Richardson & Sawyer, 1998; Smith & Richardson, 1999). In addition to this, the present study only concentrates on the readability aspect of the legislations while complexity may be attributable to various perspectives. It is also

worth noted that this analysis was conducted on the English version only. No analysis was undertaken on the Malay version considering the formulae was developed based on the English language documents. It is important to note that apart from the ITA 1967, Schedules and Public Rulings, the IRBM has also issued various explanatory notes, brochures, pamphlets and other similar materials to provide further explanation on certain items (issues) in taxation. However, this study did not cover such materials. It is also worthy to note that this study only concentrates on the ITA 1967 and the relevant Schedules and Public Rulings notwithstanding of various acts available under the Malaysian taxation system such as Partnership Act 1961, RPGT 1976, etc.

Future research should adopt a more comprehensive readability measures such as Cloze Procedure testing to enhance the readability of the materials. In addition, a comparative analysis on the readability of the tax legislations among countries may provide good indication of the nation's rating. Apart from readability aspect, a wider scope of complexity should be explored. Furthermore, it is worth to address the issues of readability based on specific provision in the Act or specific Act related to the ITA 1967. For example, provisions related to investment incentives in the ITA 1967 together with the Promotion Investment Act.

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