“Examining public acceptance choice causes on sales and service tax implementation in Malaysia”

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ARTICLE INFO	Nur Erma Suryani Mohd Jamel and Oluwatoyin Muse Johnson Popoola (2020). Examining public acceptance choice causes on sales and service tax implementation in Malaysia. *Problems and Perspectives in Management*, *18*(4), 228-246. doi:10.21511/ppm.18(4).2020.20
DOI	http://dx.doi.org/10.21511/ppm.18(4).2020.20
RELEASED ON	Thursday, 10 December 2020
RECEIVED ON	Wednesday, 19 August 2020
ACCEPTED ON	Wednesday, 18 November 2020

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JOURNAL	"Problems and Perspectives in Management"
ISSN PRINT	1727-7051
ISSN ONLINE	1810-5467
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”

NUMBER OF REFERENCES	NUMBER OF FIGURES	NUMBER OF TABLES
83	6	9

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BUSINESS PERSPECTIVES

LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10,
Sumy, 40022, Ukraine

www.businessperspectives.org

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EXAMINING PUBLIC ACCEPTANCE CHOICE CAUSES ON SALES AND SERVICE TAX IMPLEMENTATION IN MALAYSIA

Abstract

In Malaysia, the indirect tax environment is evolving fast, and the risk has never been higher. The public perception of Sales and Service Tax (SST) as a business cost aggravates the increase in essential needs prices. Hence, the heavy burden on Malaysians' income, which ultimately constitutes a big worry and outcry, makes the study relevant.

The study investigates the relationship between selected causes of equity and fairness (tax fairness), certainty (tax burden), accountability to taxpayers, tax knowledge, and public acceptance of SST implementation in Malaysia.

Data were collected through a structured survey among the public in Klang Valley. Respondents were chosen randomly from various locations in public and private sector organizations. A total of 177 out of the 228 completed and received questionnaires are found suitable for further analysis. The study adopts the SmartPLS version 3.3.2 statistical analysis tool to test the four hypotheses formulated.

The study results reveal tax fairness, tax burden, and government accountability are significant and positively relate to public acceptance of SST implementation in Malaysia. This further buttressed that tax fairness, tax burden, and government accountability are critical for public acceptance of SST implementation because of their economic implications. In contrast, tax knowledge is not significant and negatively relates to public acceptance of SST implementation. The effect indicates that tax knowledge is not an essential factor as far as public acceptance of SST implementation is concerned in Malaysia.

Keywords taxation, public policy, regulation, sales and service tax, public acceptance, determinants

JEL Classification H25, H27, H71, K34, M41

Received on: 19th of August, 2020
Accepted on: 18th of November, 2020
Published on: 10th of December, 2020

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Conflict of interest statement:
Author(s) reported no conflict of interest

INTRODUCTION

In Malaysia, public opinion, environment and the law matter to the government in decision making. This sensitivity leads to a change in fiscal policy reforms regarding the Goods and Sales Tax (GST) enabling Act withdrawal in place of Sales and Service Tax (SST). GST was blamed as the main factor that burdensome the Malaysians. Essentially, most of the public in Malaysia rejected GST. Ling et al. (2016b) claim that the intensifying of goods prices leads to a perception, which suggests that indirect tax implementation is unfair. Similarly, Syazwani et al. (2016) argue that consumers are concerned about the burden they face with GST implementation. In Wong and Eng (2018), and Ling et al. (2016a), consumers complained that GST causes the prices of goods to become more expensive. However, the government needs to implement other indirect tax replacing the GST to boost the revenue collection.

Malaysia implemented the first Sales Tax in 1972. It is a single-stage tax charged on taxable goods manufactured in Malaysia and imported taxable goods for personal consumption. Some of the weaknesses of

http://dx.doi.org/10.21511/ppm.18(4).2020.20

the Sales Tax 1972 and the Service Tax 1975 are high frequency of tax evasion, double taxation, and the value-chain increase in product price, and the existence of extensive exemptions. As noted by RMCD (2013), these factors reflect a low collection of SST revenue. Hence, the gap must not be overlooked but requires an immediate bridge.

The SST is listed among the National Worry Index's high-ranking issues that Malaysians are worried about the cost of living, unaffordable homes, lack of job opportunities, and debts. The public keeps murmuring that SST implementation is not fair to the poor, and it is burdensome. No wonder Chauke et al. (2017) argue against the lower-income earners' obligation to paying tax, as doing so contradicts the concept of fairness in tax. Ernst & Young (2018) corroborate former Prime Minister of Malaysia, Tun Dr Mahathir Mohamad, that the government needs to replace GST with SST as an alternative source of revenue.

Furthermore, Ling et al. (2016a), Kadir et al. (2016), and Shafie et al. (2016) affirm that the indirect taxes, especially GST and SST, are regressive, and thence a severe burden on the lower-income earners. Following these taxes, the lower-income and middle-income earners would be harder hit than higher-income earners. To fill the gap, there is a need to conduct holistic research on determinants of public acceptance of SST implementation.

Previous studies of Abu Bakar and Sawandi (2017), Kim-Hwa and Qi (2013), Hambali and Kamaluddin (2017), and Ling et al. (2016b) discuss the public acceptance towards GST. However, there is scarce research done on public acceptance of SST implementation. This paper recognizes these gaps in the existing literature, methods, and practice on public acceptance.

1. LITERATURE REVIEW

This study develops a model research framework for a literature review to conceptualize the existing research's main strengths. This research aims to integrate selected factors that affect the public acceptance of SST implementation in Malaysia. It is logical to say that every stakeholder must become aware of the leading causes of public acceptance of SST implementation. Hence, implementing a research framework may help the research community identify research gaps, assist practitioners and regulators on the SST mechanisms, and create awareness among the stakeholders. Bearing in mind the relationship between the selected factors affecting public acceptance of SST implementation, much emphasis is given throughout this study, even though such an explicit research framework, to the best of our knowledge, perhaps, is absent in the literature so far.

Jimenez (2013) and Chan et al. (2000) discuss taxpayers' behaviors towards direct tax (for example, personal income tax) and also recommend that higher tax compliance is the best measurement to confirm whether the implementation of a specific tax is successful or not. Bidin et al. (2011) affirm that notwithstanding the enforcement actions taken, such as penalty, fines, and even prison terms, those who evade tax and non-compliance problems constitute IRBM's central issue. Similarly, Asmuni et al. (2017) argue that the survivability aspect of indirect tax, SST, depends on public acceptance. Asmuni et al. (2017) trace the history of the indirect tax reform rebellion to the 18th century, while Casal et al. (2016) confirm the arrest and jail of Henry David Thoreau for his refusal to pay the poll tax.

Due to the high negative feedback gathered during GST, Wong and Eng (2018) claim that implementing an input tax credit mechanism and pre-employment policy to ease the tax burden increases public acceptance towards SST. Besides, the government should provide sufficient information on how SST works (Sim, 2018). Apart from that, Nee (2018) claims that the public "warned" the government against SST, which they consider a burden.

Despite the general public outcry about SST implementation, its importance cannot be over-emphasized. Riese (2017) and Smith (1776) emphasize the importance of tax collection as a revenue source for the government to provide national defence,

justice services, education, transportation, and medical. Their studies emphasized that the public is entitled to a clear justification for the imposed taxes. This is to increase the public's acceptance.

Furthermore, Riese (2017) contends that the public should contribute by paying taxes to the government based on what they have earned. This is where horizontal and vertical equities in taxation come into the scenery. As such, this study measures the perception of horizontal equity based on income tax and SST rate. The income tax and SST systems might trap the public in Malaysia as their income bands are subjected to personal income tax. The applicable marginal tax rates are 16% to chargeable income for RM50,000 – RM70,000, and 21% for RM70,000 – RM100,000 (IRBM, 2017). Hambali and Kamaluddin (2017) and Rashid et al. (2015) argue that Singapore's best practice where its income tax rate is reduced and enhances its public acceptance towards indirect tax implementation should be emulated.

Deak (2013) asserts that a tax system is critical when applying the neutrality principle. People are free to consume without changing the spending habit and limit the choices of goods in indirect tax. Besides, Anggoro (2018) and AICPA Tax Division (2017) argue that the principle of neutrality prohibits the discouragement of taxpayers from working and needing to pay personal income tax based on their salaries. From the perspective of indirect tax implementation in Malaysia, the public consumption pattern should not be trapped by SST.

The public should have the freedom to select or continue their groceries and spending listing as before indirect tax embedded in the selling prices of goods. Riese (2017) argues that taxpayers should predict the tax burden in practising ethical tax principles. This is supported by an explanation given by Nazir (2018) and RMCD (2013) that taxes in indirect tax would incur at the stage of spending income, and not at the stage of its creation and embedded in the selling price of goods and services. However, Terfa et al. (2017), Đorđević (2015), Alappatt and Junaid (2014), and Gruber (2011) claim that indirect taxes can reduce the disposable income of low- and middle-income earners as they have to pay more as a percentage of their income than the high-income earners do.

Several researchers such as Saad (2011), Farrar (2011), and Palil (2010) empirically confirm the influence of tax knowledge on compliance behaviours. Tax knowledge can be perceived or observed through formal education obtained and knowledge gained from evading tax opportunities. A tax system must be smooth in operational and acknowledged by the consumers to enhance its acceptability. Knowledgeable taxpayers tend to have a better understanding of why the government should implement the tax.

The tax knowledge exposures should not limit to accounting and business management students only. All students are potential taxpayers, and they are also in public, which undergoes indirect tax implementation. Palil and Fadillah (2013) and Lai et al. (2013) suggest that all tertiary level students need to be exposed to the basic tax knowledge syllabus. In comparison, Fatt and Wong Sek Khin (2011) recommend that future taxpayers' exposure to tax should begin in Schools. The recommendation aligns with Sarker (2003) that informs the Japanese government reform on introducing and implementing tax knowledge syllabus for students in Schools to enhance Japanese tax compliance.

2. AIMS

This study aims to:

a) investigate the relationship between the tax fairness factor and the public acceptance of SST in Malaysia;

b) examine the impact of tax burden factor on the public acceptance of SST in Malaysia;

c) examine the relationship between the tax knowledge factor and the public acceptance of SST in Malaysia;

d) explore the effect of government accountability on the public acceptance of SST in Malaysia.

Granting the study's specific objectives, the conceptual framework and the hypotheses development are presented in Figure 1.

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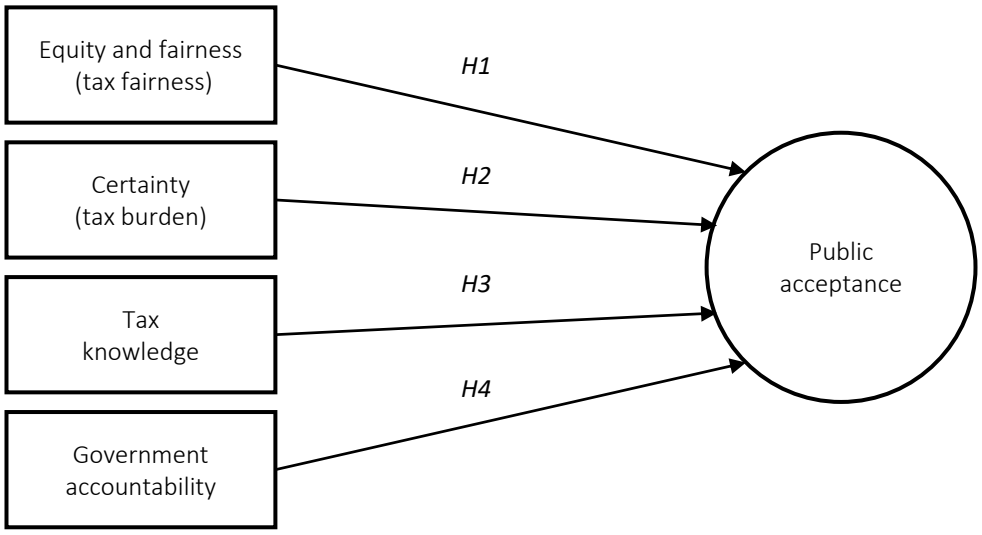

Figure 1. Conceptual framework and hypotheses development of the study

3. HYPOTHESES DEVELOPMENT AND FORMULATION

3.1. Equity and fairness factor (i.e., tax fairness - TF) on public acceptance of SST

The first theoretical linkage in the research framework represents the prediction that equity and fairness (tax fairness) directly impact public acceptance of SST in Malaysia. Benk et al. (2012) reveal that tax fairness perceptions strongly influence compliance towards indirect tax. Acceptance can be described as a reflection to which a phenomenon is taken up – liked or disliked, supported or rejected, and maybe passively tolerated. Wolsink (2018) argues that defined factors influence the level of acceptance. Prior literature, AICPA Tax Division (2017) and Saad (2011) argue that certain factors to wit: tax fairness, tax burden, tax knowledge, and accountability by the government, influence public acceptance towards SST implementation.

Several studies across the globe like Riese (2017), Đorđević (2015), Iza et al. (2015), and Gruber (2011) confirm that the perception of fairness determines public acceptance towards the indirect tax system. Saad (2011) argues that tax should be perceived as fair, so the consumers would support the system and consequently show their acceptance. It is impossible to define the term "fairness" as it is subjective to the individual's interpretation (AICPA Tax Division, 2017).

Furthermore, Castro and Rizzo (2014) suggest that the effects of horizontal or vertical equity in taxation are influenced by exchange equity. Exchange equity and fairness mean that the government can provide adequate public goods and services to meet taxpayers' and their families' needs (AICPA Tax Division, 2017). Saad (2011) explains that exchange equity would be a success when one believes that the other party acts reasonably. Hence, based on the arguments, the hypothesis is formulated:

H1: Equity and fairness, as proxied by tax fairness, relate positively significant to public acceptance towards SST implementation in Malaysia.

3.2. Certainty factor (i.e., tax burden – TB) on public acceptance of SST

The second theoretical linkage in the research framework discusses the prediction that the certainty factor (tax burden) directly impacts public acceptance of SST in Malaysia. As reported by Nazir (2018), the number of registered establishments for SST is 100,405 compared to 476,023

companies during the GST period. As for SST, 38% of the goods and services in the CPI basket are taxable compared to 60% under the GST. An estimated amount of up to RM70 billion would be available to allow consumers to spend more. As SST is still new, the literature on the burden of the new comeback is still scarce.

This study suggests that the implementation of SST should not become burdensome to the public. Hence, the public will accept any indirect tax if they are free from the burden. Thus, the hypothesis is developed as follows:

H2: Certainty, as represented by the tax burden factor, maintains a significant positive relationship to public acceptance towards SST implementation in Malaysia.

3.3. Tax knowledge (TK) on public acceptance of SST

The third theoretical relationship in this research framework highlights the prediction that tax knowledge directly impacts public acceptance of SST in Malaysia. Zainan et al. (2017) emphasize that tax knowledge is crucial as it leads to public acceptance towards indirect tax implementation. Also, Kasipillai et al. (2003) argue that higher tax knowledge determines taxpayers' compliance levels, leading to higher compliance rates. Loo et al. (2009) define tax knowledge as the taxpayer's ability to report his or her taxable income correctly, claim relief and rebates, and compute tax liability under the income tax self-assessment system.

Studies on tax knowledge towards indirect tax implementation in Malaysia provide mixed results. Shaari et al. (2015), in their study, found that most of the respondents have limited knowledge of indirect tax implementation. In another vein, respondents with moderate knowledge still contribute to a high acceptance level of indirect tax due to a high level of awareness (Hambali & Kamaluddin, 2017). Another study by Shamsuddin et al. (2014) concludes that respondents are not ready to accept the newly implemented tax as they have little knowledge about it. Based on the notion, this hypothesis is developed:

H3: Tax knowledge factor maintains a significant positive relationship to public acceptance towards SST implementation in Malaysia.

3.4. Government accountability (GA) on public acceptance of SST

The fourth theoretical relationship in this research framework represents the prediction that government accountability directly impacts public acceptance of SST in Malaysia. One of the principles in acceptable tax policy is the government's accountability to taxpayers. The public should be able to access the information on the tax system. Foldvary et al. (2016) suggest that any information on tax change proposals should be publicized and opened to debate. The prominent factor is the government in both countries, allowing the public to access and debate the tax system before its implementation – effective communication by the government and the public can rectify any possible problems. The principle of accountability to taxpayers utilized by the UK and New Zealand's government shows a full acceptance of indirect tax implementation.

Unfortunately, the reviews on the indirect tax system in Malaysia rarely happen. Tax consultants should help the government review the tax system (Kumaran & Simpson, 2019). Jamel et al. (2018) reveal that all respondents have limited information on Malaysia's indirect taxes and affect SST acceptance. According to Saira et al. (2010), Malaysians were unaware of how the indirect tax reform could impact them.

From the perspective of indirect tax implementation in Malaysia, the public responsiveness of any tax reform activities and an understanding of proposed changes enable broader and more well-informed debate. The public should have access to information for understanding sources and uses of tax revenues. Thus, this hypothesis is developed:

H4: Government accountability to taxpayers factor maintains a significant positive association with public acceptance towards SST implementation in Malaysia.

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4. METHODS

4.1. Respondents' profile

This study gathers information on tax fairness, tax burden, tax knowledge, government accountability to taxpayers, and public acceptance of SST implementation. The demographic features listed include gender, age, education level, and a monthly income. The features are illustrated in Table 1.

Table 1. Respondents' profile

Variable	Items	Frequency	Percentage (%)
Gender	Male	107	60.45
	Female	70	39.55
Age	18-29	68	38.42
	30-39	40	22.60
	40-49	39	22.03
	50-59	26	14.69
	60 and above	4	2.26
Education level	SPM/STPM	53	29.94
	Diploma	51	28.81
	Professional certificate	4	2.26
	Bachelor's degree	33	18.64
	Master's degree	28	15.84
	PhD.	3	1.69
	Others	5	2.82
Monthly income	RM3,000 and below	118	66.67
	RM3,001 – RM6,000	33	18.64
	RM6,001 – RM9,000	18	10.18
	RM9,001 – RM12,000	5	2.82
	RM12,000 and above	3	1.69

This study conducts a field survey with 250 questionnaires distributed to the respondents mainly from Klang Valley after a year of SST reimplementation. Two hundred twenty-eight questionnaires were completed and returned, out of which 51 are found unsuitable due to incompleteness and non-eligibility (28 cases) and univariate and multivariate outliers (23 cases). The study utilizes a total of 177 respondents for further analysis. The respondents gender levels are male (n = 107) and female (n = 70) in the age classes of 18-29 (n = 68), 30-39 (n = 40), 40-49 (n = 39), 50-59 (n = 26), and 60 and above (n = 4), respectively.

The respondent's education levels are SPM/STPM (n = 53), Diploma (n = 51), Professional certificate (n = 4), Bachelor's degree (n = 33), Master's degree (n = 28), Doctor of Philosophy (n – 3), and Others (n = 5). Similarly, the responding monthly income levels are RM3,000 and below (n = 118), RM3,001 – RM6,000 (n = 33), RM6,001 – RM9,000 (n = 18), RM9,001 – RM12,000 (n = 5), and RM12,000 and above (n = 3).

4.2. Constructs operationalization: dependent variable, and independent variables

This study conducts content validity for all the observable items of the independent variable and dependent variable by engaging 15 experienced firm professionals and renowned academicians.

The study uses 33 continuous and 4 categorical indicators from prior studies. First, the independent variable, Tax fairness (TF), is recognized and measured using a 7-point Likert scale ranging from 1 = "strongly disagree" to 7 = "strongly agree" of 6 observable items (AICPA Tax Division, 2017; Saad, 2011). Second, the independent variable, tax burden (TB), is considered and measured using a 7-point scale ranging from 1 = "strongly disagree" to 7 = "strongly agree" of 5 observable items (AICPA Tax Division, 2017; Haibara, 2017). Third, the independent variable, Tax Knowledge (TK), is considered and measured using a 7-point scale ranging from 1 = "strongly disagree" to 7 = "strongly agree" of 10 items (Saad, 2011). Fourth, the independent variable, Government Accountability (GA), is recognized and measured in the study by using a 7-point scale ranging from 1 = "strongly disagree" to 7 = "strongly agree" of 3 items (AICPA Tax Division, 2017). Fifth and final, the dependent variable, Public Acceptance (PA), is considered and measured using a 7-point scale ranging from 1 = "strongly disagree" to 7 = "strongly agree" of 8 items (Syazwani et al., 2016; Shamsuddin et al., 2014).

5. DATA ANALYSIS AND RESULTS

The study adopts the Structural Equation Modelling – Partial Least Squares (PLS-SEM) as statistical analysis tools. PLS-SEM allows estimating complex cause-effect relationship models with latent variables. Also, it is a technique most suit-

able where the research purpose is a prediction or exploratory modelling. The merit of PLS-SEM includes the ability to model multiple dependents and multiple independents; ability to handle multicollinearity among the independents; robustness in the face of data noise and missing data; and creating independent latent variables directly based on cross-products involving the response variable(s), making for more robust predictions. The statistical approach of this study is based on the measurement model. This theory shows "measures representing the effects (or manifestations) of the underlying construct". It consists of internal consistency (composite reliability, Rho_A, and Cronbach's Alpha), indicator reliability, convergent validity (average variance extracted), discriminant validity (indicator cross-loadings, heterotrait-monotrait (HTMT) ratio of correlation method.

The second statistical strategy, called the structural model, encompasses the inner loadings mostly used to evaluate the predictive power, effect size, and path coefficient's importance.

5.1. Measurement model

5.1.1. *Convergent validity: indicator reliability and Average Variance Extracted (AVE)*

This study considers the critical factor loadings and cross-loadings, which confirm that all outer loadings of the constructs: public acceptance, tax fairness, tax burden, tax knowledge, and government accountability are well above the threshold value of 0.708^2 (0.50). Similarly, the indicator GA1 has the highest indicator reliability with a value of 0.906 (0.952). In contrast, the indicator TB1 has the smallest indicator reliability with a value of 0.388 (0.623). Thus, all the outer loadings meet the acceptable benchmark for the convergent validity of the research.

Furthermore, indicators TB1, TB4, TF1, TF3, TK1 and GA2 have values lower than 0.50 (0.708^2). Therefore, the indicators are retained in line with the outer loading relevant testing (OLRT) criterion.

The average variance extracted (AVE) is a measure to establish convergent validity on the con-

Table 2. Key quality criteria of the reflective measurement model

Construct	Items	Loadings	Indicator reliability	AVE	CR	Rho_A
Public acceptance	PA1	0.836	0.699	0.672	0.891	0.847
	PA2	0.799	0.638	–	–	–
	PA4	0.835	0.697	–	–	–
	PA7	0.807	0.651	–	–	–
Tax burden	TB1	0.623	0.388	0.523	0.812	0.774
	TB3	0.811	0.658	–	–	–
	TB4	0.634	0.402	–	–	–
	TB5	0.802	0.643	–	–	–
Tax fairness	TF1	0.656	0.430	0.571	0.841	0.825
	TF2	0.848	0.719	–	–	–
	TF3	0.694	0.482	–	–	–
	TF4	0.808	0.653			
Tax knowledge	TK1	0.699	0.489	0.538	0.891	0.869
	TK2	0.747	0.558	–	–	–
	TK4	0.713	0.508	–	–	–
	TK6	0.704	0.496	–	–	–
	TK7	0.745	0.555	–	–	–
	TK8	0.744	0.554	–	–	–
	TK9	0.778	0.605			
Government accountability	GA1	0.952	0.906	0.660	0.789	0.872
	GA2	0.642	0.412	–	–	–

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struct. Prior literature reveals that an AVE value of 0.50 or higher indicates that, on average, more than half of the variance of its indicators are explained. Conversely, suppose the value is less than 0.50, on average. In that case, more variance remains in the error items than in the construct variance explained. In the study, the AVE values of PA (0.672), TB (0.523), TF (0.571), TK (0.538), and GA (0.660) recorded greater than the threshold value of 0.50. Therefore, there is a high convergent validity value as the measure of TF, TB, TK, GA, and PA correlates positively with alternative measures of the same construct. The study displays in Table 2 and Figure 2.

5.1.2. *Internal consistency reliability: Composite Reliability (CR) and Rho_A*

This study applies different internal consistency reliability measures, such as Composite Reliability and Rho_A, presented in Table 2 and Figure 2.

CR takes into account different outer loadings of the indicator variables and varies between 0 and 1. According to Hair et al. (2019, 2017a), CR values between 0.70 and 0.90 are regarded as satisfactory. In this study, the CR values of PA (0.891), TB (0.812), TF (0.841), TK (0.891), and GA (0.789) recorded high values that are within the accepted threshold of between 0.70 and 0.90. Hence, TB, TF, TK, and GA affect PA towards implementing SST in Malaysia. Also, and with the values recorded, the study model satisfies the acceptable criterion of internal consistency reliability.

Also, the study records Rho_A values of PA (0.847), TB (0.774), TF (0.825), TK (0.869), and GA (0.872). The Rho_A values reveal a high measure of reliability. The study conforms with Hair et al. (2019), Hair et al. (2017b), Ronkko et al. (2016), Popoola et al. (2015), and Dijkstra and Henseler (2015) as both the CR and Rho_A meet the benchmark set for accounting research.

5.1.3. *Discriminant validity: indicator cross-loadings, Fornell-Larcker criterion, and heterotrait-monotrait (HTMT) ratio of correlation method*

5.1.3.1. *Indicator cross-loadings analysis*

An indicator's loading on its assigned construct must be higher than all of its cross-loadings with

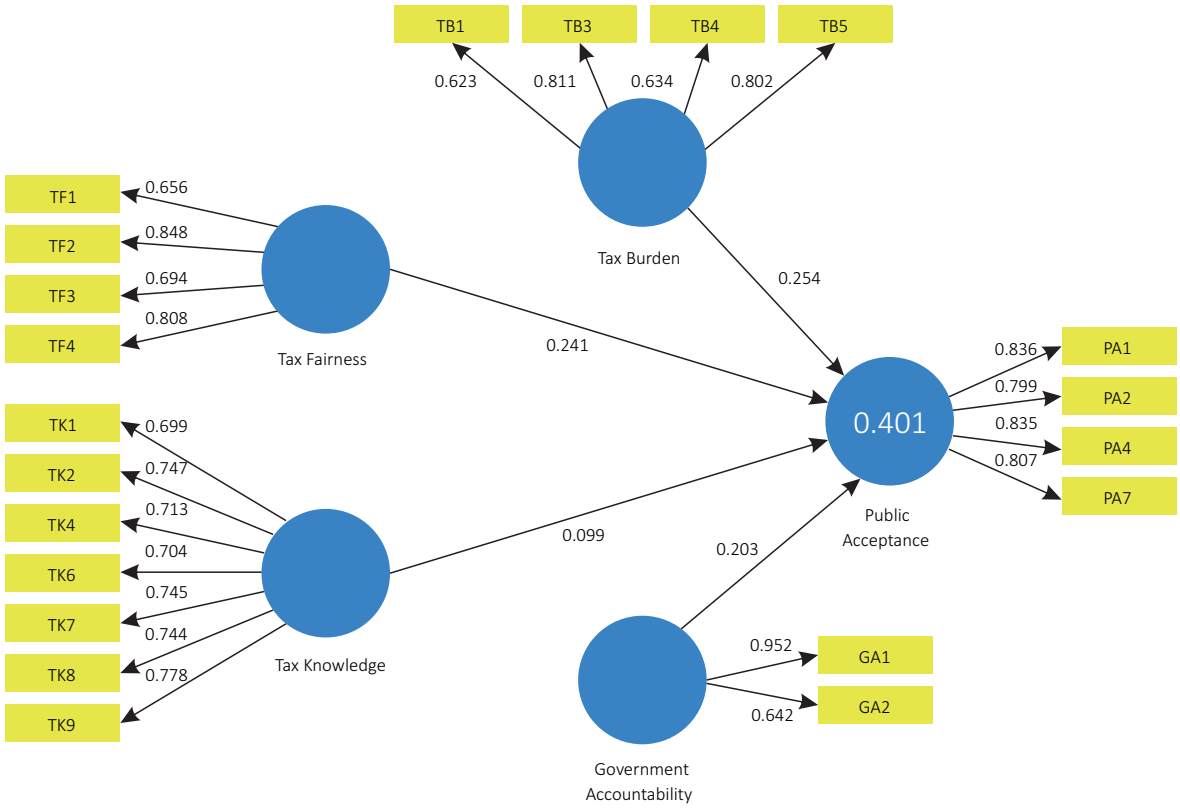

Figure 2. Measurement model (PLS algorithm) testing for reliability and validity and R^2 included.

Table 3. Indicator cross-loadings analysis

Indicator	Public acceptance	Tax burden	Tax fairness	Tax knowledge	Government accountability
PA1	0.836	0.509	0.476	0.278	0.463
PA2	0.799	0.389	0.389	0.146	0.307
PA4	0.835	0.431	0.472	0.244	0.524
PA7	0.807	0.432	0.461	0.246	0.329
TB1	0.282	0.623	0.456	0.158	0.415
TB3	0.554	0.811	0.576	0.232	0.37
TB4	0.272	0.634	0.428	0.066	0.408
TB5	0.352	0.802	0.415	0.209	0.352
TF1	0.245	0.428	0.656	0.32	0.424
TF2	0.542	0.599	0.848	0.106	0.409
TF3	0.263	0.418	0.694	0.144	0.319
TF4	0.488	0.508	0.808	0.269	0.6
TK1	0.226	0.03	0.119	0.699	0.152
TK2	0.208	0.102	0.068	0.747	0.26
TK4	0.129	0.245	0.201	0.713	0.26
TK6	0.214	0.179	0.2	0.704	0.217
TK7	0.129	0.239	0.193	0.745	0.239
TK8	0.207	0.19	0.223	0.744	0.234
TK9	0.271	0.299	0.29	0.778	0.249
GA1	0.527	0.569	0.576	0.292	0.952
GA2	0.21	0.136	0.331	0.206	0.642

other constructs to establish discriminant validity. Table 3 shows the loadings and cross-loadings for every indicator. For example, the indicator PA1 has the highest value for the loading with its corresponding construct public acceptance (0.836), while all cross-loadings with other constructs are considerably lower (e.g., PA1 on tax burden, 0.509; PA1 on tax fairness, 0.476; PA1 on tax knowledge, 0.278; and PA1 on government accountability, 0.463).

Furthermore, for example, the study results reveal that the indicator GA1 has the highest value for the loading with its corresponding construct, government accountability (0.8952), while all cross-loadings with other constructs are considerably lower (e.g., GA1 on public acceptance, 0.527; GA1 on tax burden, 0.569; GA1 on tax fairness, 0.576; and GA1 on tax knowledge, 0.292). Based on the indicator cross-loadings assessments, as reflected in Table 3, there is good discriminant validity in this study (See the Appendices).

5.1.3.2. Fornell-Larcker criterion

This study evaluates the discriminant validity based on the Fornell-Larcker criterion. Discriminant validity is established as the square root of each construct's AVE, which must be greater than its highest correlation with other constructs. Hence, discriminant validity is established as the GA (0.812), PA (0.820), TB (0.723), TF (0.756), and TK (0.733) recorded the greater values than its highest corresponding row and column values of a latent correlation. The PA (0.820) records the highest corresponding value of GA (0.506) in a row with a corresponding value of TB (0.541), TF (0.552), and

Table 4. Discriminant validity – Fornell-Larcker criterion

Variable	Government accountability	Public acceptance	Tax burden	Tax fairness	Tax knowledge
Government accountability	0.812	–	–	–	–
Public acceptance	0.506	0.820	–	–	–
Tax burden	0.516	0.541	0.723	–	–
Tax fairness	0.586	0.552	0.658	0.756	–
Tax knowledge	0.310	0.285	0.245	0.255	0.733

Note: Diagonal (in bold) represents the squared-AVE, while others represent the correlation.

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Table 5. Discriminant validity (HTMT ratio of correlations method criterion)

Variable	Government accountability	Public acceptance	Tax burden	Tax fairness	Tax knowledge
Government accountability					
Public acceptance	0.639				
Tax burden	0.755	0.643			
Tax fairness	0.834	0.629	0.86		
Tax knowledge	0.44	0.314	0.322	0.351	

TK (0.285) in a column, thus justifying the criterion for good discriminant validity as displayed in Table 4.

5.1.3.3. Heterotrait-monotrait (HTMT) ratio of correlations method

HTMT is one of the useful criteria to assess discriminant validity, as recommended by Nitzl (2016). The criterion for assessing HTMT value < 1 indicates a good discriminant validity, and value > 1 reveals a lack of discriminant validity. Prior studies of Kline (2011) and Clark and Watson (1995) suggest a slash of 0.85. Henseler et al. (2015) and Gold et al. (2001) recommend a threshold value of 0.90 to establish discriminant validity. This study aligns and adopts Henseler et al. (2015) and Gold et al. (2001) value criterion on HTMT. Thus, there is a good discriminant validity in the study, as reflected in Table 5.

5.2. Assessing the results of the structural model

The study considers collinearity assessment, structural model path coefficients, coefficient of determination (R^2 – value), effect size f^2, blindfolding and predictive relevance Q^2, and effect size q^2 in assessing the structural model results.

5.2.1. Collinearity assessment

Collinearity occurs when two or more independent variables are intercorrelated. This study adopts only the inner model VIF. The study adopts a VIF value of 5 as any value greater than 5 poses a potential collinearity issue based on Hair et al. (2011). Diamantopoulos and Siguaw (2006) recommend a VIF threshold value of less than3 (see Table 6).

From Table 6, Collinearity VIF values, there is no collinearity issue in agreement with Hair et al. (2011) among the predictor constructs, TB (1.854), TF (2.070), TK (1.121), and GA (1.655). Because all the variables on the prior literature criterion are less than a value of 5, granting the non-existence of VIF, the structural model can be assessed in consonance with Popoola et al. (2016) and Hair et al. (2014).

5.2.2. Coefficient of determination (R^2 value)

The R-square (R^2) value is a measure of the model's predictive power. It highlights the amount of variance in the dependent variable, PA, explained by all the independent variables (i.e., TB, TF, TK, and GA) linked together. Rigdon (2012) and Sarstedt et al. (2014) noted that the R^2 ranges from 0 to 1 and represents a measure of in-sample predictive power.

As revealed in Figure 2, the TB, TF, TK, and GA on PA recorded an R^2 value of 0.401. Prior studies of Chin (1998, 323) and Hock and Ringle (2006, 15) recommend results above the criterion 0.57, 0.33, and 0.19 as substantial, moderate, and weak. This study considers the R^2 value of 0.401 as a moderate

Table 6. Collinearity VIF values

Variable	Public acceptance	Tax burden	Tax fairness	Tax knowledge	Government accountability
Public acceptance	–	–	–	–	–
Tax burden	1.854	–	–	–	–
Tax fairness	2.070	–	–	–	–
Tax knowledge	1.121	–	–	–	–
Government accountability	1.655	–	–	–	–

Table 7. F-squared (f^2) effect size

Predictor	Endogenous	R^2 included	R^2 excluded	R^2 included – R^2 excluded	1 – R^2 included	Effect size	Decision
Tax fairness	Public acceptance	0.401	0.375	0.026	0.599	0.043	Small
Tax burden	Public acceptance	0.401	0.367	0.034	0.599	0.057	Small
Tax knowledge	Public acceptance	0.401	0.392	0.009	0.599	0.015	Small
Government accountability	Public acceptance	0.401	0.376	0.025	0.599	0.042	Small

effect for PA. Hence, a significant measure of the model's predictive power.

5.2.3. F-squared (f^2) effect size

The f-square effect size assesses how strongly one exogenous construct contributes to explaining a particular endogenous construct in R-squared (R^2), as illustrated in Table 7, Figure 2 (included), and Figure 3 (tax fairness excluded).

5.2.4. Blindfolding and predictive relevance Q^2

This study considers the change in R^2 value when a specified exogenous construct. For example, the Tax burden is omitted from the model. This study also examines Stone (1974) and Geisser (1974) Q^2 value that measures the model's out-of-sample predictive power. In the structural model, Q^2 values larger than zero for a PA indicate the path model's predictive relevance for the particular endogenous variable, as Hair et al. (2017a) noted. The study presents the Q^2 effect size of the exogenous and endogenous constructs in Table 8 and Figures 4a and 4b.

The last column (i.e., 1 – SSE/SSO) reveals the predictive significance (Q^2) of the public acceptance value of 0.249. Popoola et al. (2015), Hair et al. (2012), and Apel and Wold (1982) validate the current study that presents substantial predictive importance, having recognized Cohen's (1988) criterion of 0.02, 0.15, and 0.35 for weak, moderate and substantial effects. Therefore, the model on the re-

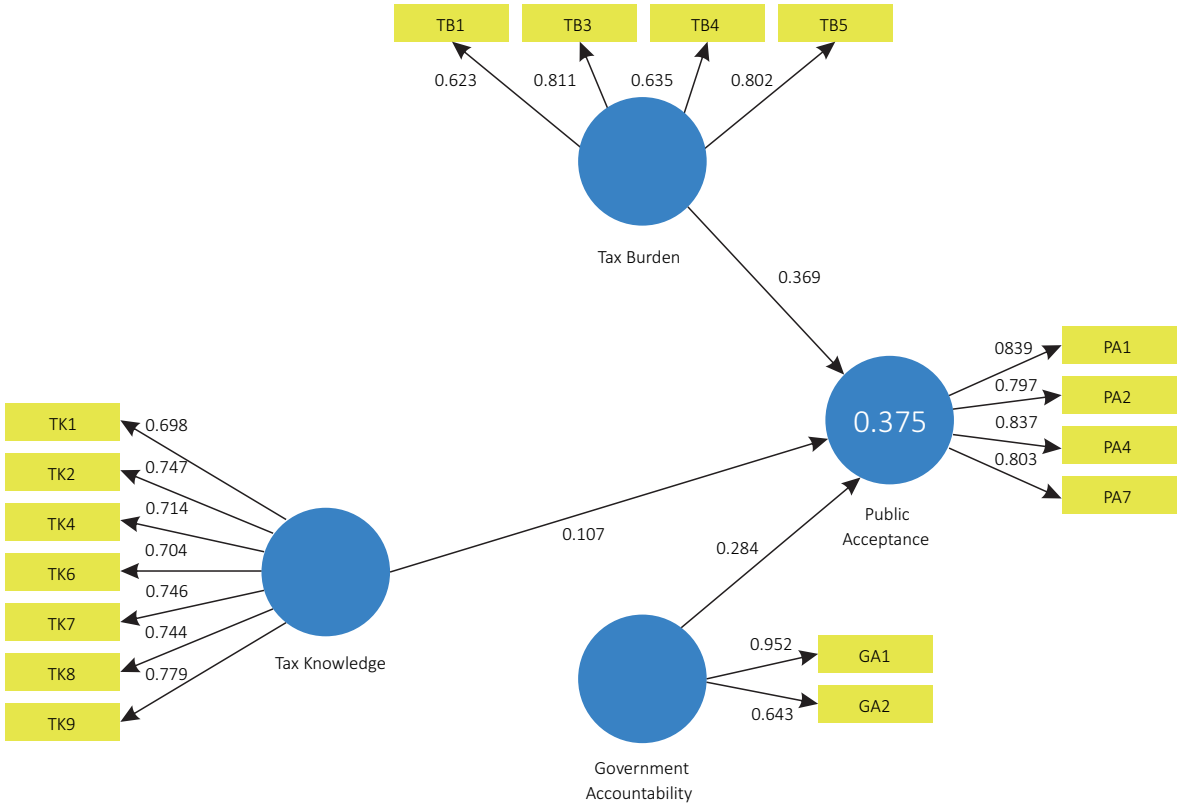

Figure 3. Assessing F-squared (f^2) effect size – tax fairness excluded

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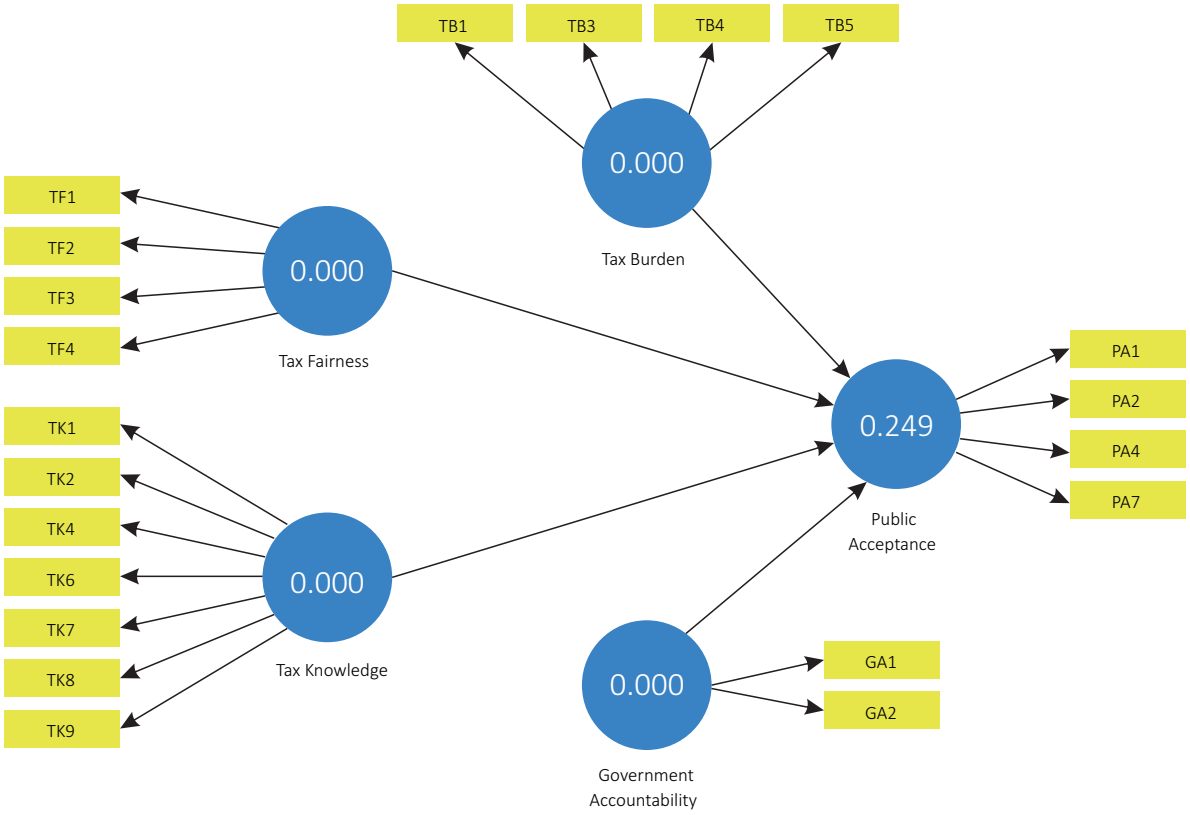

Figure 4a. Assessing Q-squared (Q^2) effect size included

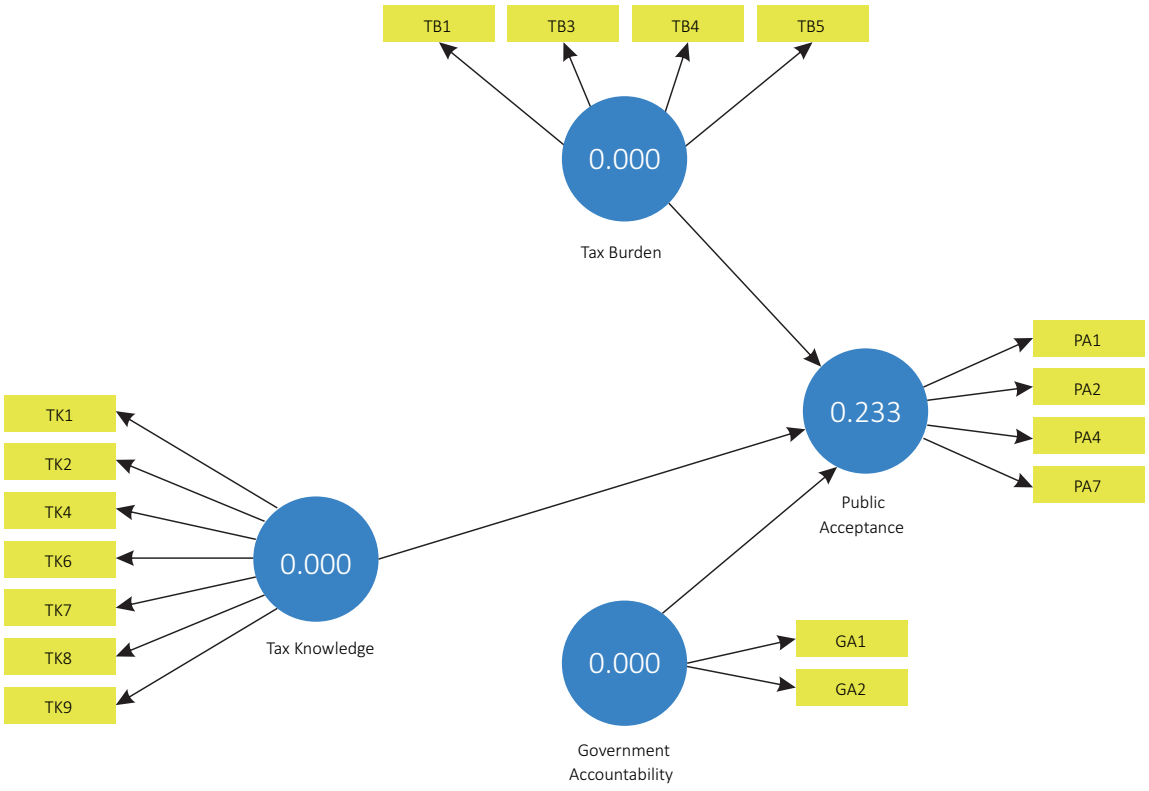

Figure 4b. Assessing Q-squared (Q^2) effect size Tax fairness excluded (blindfolding technique)

Table 8. Q-squared (Q^2) effect size

Predictor	Endogenous	Q^2 included	Q^2 excluded	Q^2 included – Q^2 excluded	1 – Q^2 included	Effect size	Decision
Tax fairness	Public acceptance	0.249	0.233	0.016	0.751	0.021	Small
Tax burden	Public acceptance	0.249	0.228	0.021	0.751	0.028	Small
Tax knowledge	Public acceptance	0.249	0.246	0.003	0.751	0.004	Small
Government accountability	Public acceptance	0.249	0.238	0.011	0.751	0.015	Small

lationship with the TB, TF, TK, GA, and PA has strong predictive relevance Q^2. The revealed values are larger than zero (see Figures 4a and 4b).

The overall effect size (Q^2) of the exogenous constructs record values (TF, 0.021; TB, 0.028; TK, 0.004; and GA, 0.015), which indicate small effects on the endogenous construct, PA.

6. DISCUSSION

6.1. Tax fairness is positively significant to public acceptance of SST implementation in Malaysia

The study hypothesis *H1* states that tax fairness is positively significant to public acceptance towards SST implementation in Malaysia. The results from Table 9 and Figure 5 reveal a significant positive relationship of tax fairness (TF) on public acceptance (PA) (beta = 0.241; t(175) = 2.605; p = .000). The results revealed TF as a significant predictor of PA, thus supporting hypothesis *H1* of the study and validating prior studies of Asmuni et al. (2017), Riese (2017), Syazwani et al. (2016), Đorđević (2015), Iza et al. (2015), and Gruber (2011). Evidence of confirmation of the TF as a significant predictor of PA is depicted in Table 9 and Figure 5.

6.2. Tax burden is positively significant to public acceptance of SST implementation in Malaysia

In the study, hypothesis *H2* predicts that the tax burden is positively significant to public acceptance towards SST implementation in Malaysia. The findings indicate a positive significant relationship of TB on PA (beta = 0.254; t(175) = 3.098; p = 0.000). The findings reveal TB as a significant PA predictor, as shown in Table 9 and Figure 5. Therefore, hypothesis *H2* of the current study is supported by the respondents from Klang Valley, Malaysia, and validated by Asmuni et al. (2017),

Table 9. Direct relationship hypotheses testing

Hypothesis	Relationship	Std. beta	Std. error	T-stat	Decision	f2	q2	95% CILL	95% CIUL
H1	Tax fairness → public acceptance	0.241	0.092	2.605**	Supported	0.043	0.021	0.079	0.383
H2	Tax burden → public acceptance	0.254	0.082	3.098**	Supported	0.057	0.028	0.106	0.378
H3	Tax knowledge → public acceptance	0.099	0.079	1.246**	Not Supported	0.015	0.004	–0.03	0.218
H4	Government accountability → public acceptance	0.203	0.094	2.156**	Supported	0.042	0.015	0.043	0.351

Note: ** p = 0.05, R-squared = public acceptance, 0.401, effect size impact indicator according to Cohen (1988), f^2 values: 0.35 (large), 0.15 (medium), and 0.02 (small), Q-squared (public acceptance = 0), predictive relevance (Q^2) of predictor exogenous latent variables as according to Henseler et al. (2009), Q^2 values: 0.35 (large), 0.15 (medium), and 0.02 (small).

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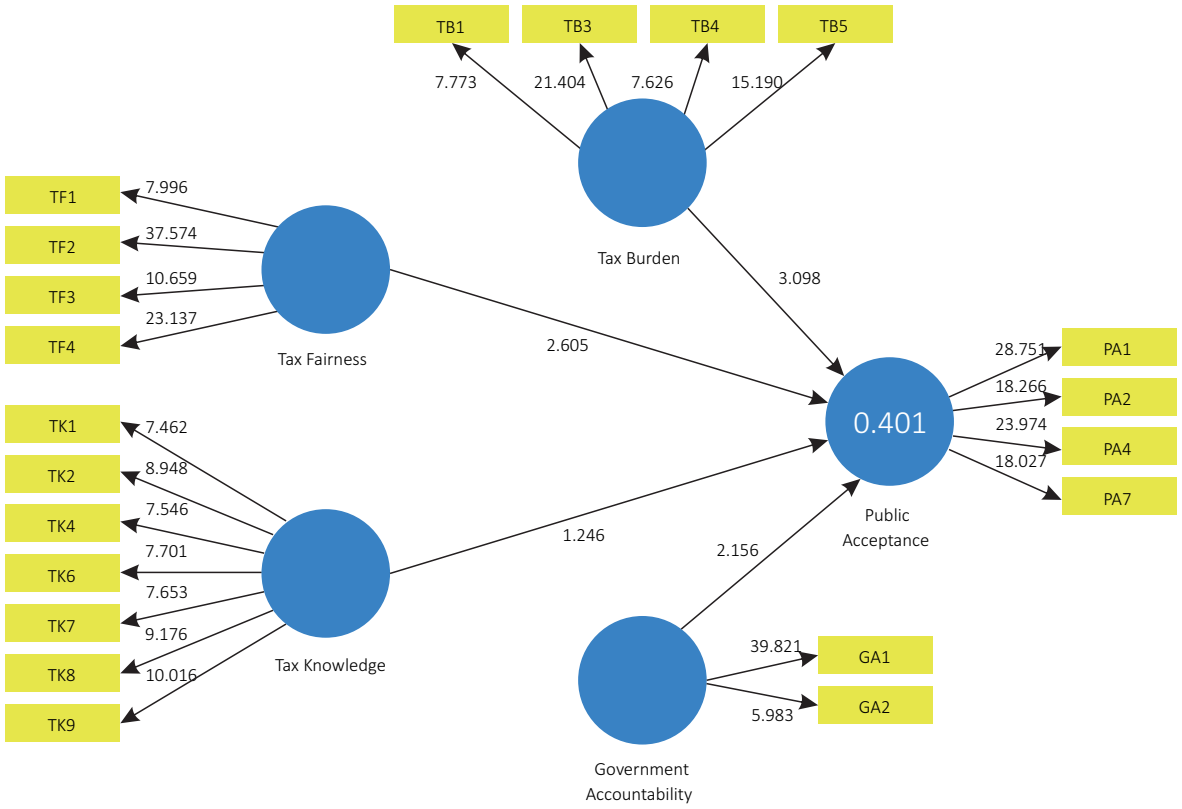

Figure 5. Direct relationship hypotheses testing (bootstrapping technique)

Shafie et al. (2016), Sekwati and Malema (2012), and Carvalho and Lian (2010).

6.3. Tax knowledge is positively significant to public acceptance of SST implementation in Malaysia

The study hypothesis *H3* states that tax fairness is positively significant to public acceptance towards SST implementation in Malaysia. The results from Table 9 and Figure 5 reveal a significant negative relationship of TK on PA (beta = 0.099; t(175) = 1.246; p = .200). The findings revealed TK as a significant predictor of PA negatively, thus not supporting Hypothesis 3 of the study and validating prior studies of Wong and Eng (2018) and Shamsuddin et al. (2014). In contrast, Zainan et al. (2017) agree that TK is crucial as it leads to PA towards indirect tax implementation. The TK confirmation as a significant negative predictor of PA is depicted in Table 9 and Figure 5.

6.4. Government accountability is positively significant to public acceptance of SST implementation in Malaysia

In the study, hypothesis *H4* predicts that government accountability is positively significant to public acceptance towards SST implementation in Malaysia. The findings indicate a positive significant relationship of GA on PA (beta = 0.203; t(175) = 2.156; p = 0.000). The results reveal GA as a significant PA predictor, as shown in Table 9 and Figure 5. Therefore, hypothesis *H4* of the current study is supported by the respondents from Klang Valley, Malaysia, and validated in prior studies by Asmuni et al. (2017), Foldvary et al. (2016).

CONCLUSION

This study shows that Public acceptance is essential to the survival of SST reimplementation in Malaysia. The government should take the first and all-encompassing initiatives to support another indirect tax after zero-rate GST. History has shown that tax rejections caused chaos. Therefore, it is important to consider public acceptance as a vital component to avoid tax reform rejection.

Similarly, the study reveals that tax fairness is positive and significantly associated with public acceptance. Hence, tax fairness is key to public acceptance in Malaysia, especially and developing countries in general. However, there seems to be anxiety regarding its impact on living cost when SST becomes operational.

This study reiterates the positive and significant relationship between tax burden and public acceptance. Therefore, its effect on the populace concerning SST implementation in Malaysia could not be over-emphasized. The study aligns and recognizes the implication of tax payer's ability to pay based on the principle of vertical equity and fairness principle. Besides the positive association of tax burden on public acceptance, this study argues that all eligible citizens must pay some taxes, even a relatively small amount, in line with the exchange equity principle.

This study affirms that tax knowledge does not influence public acceptance of SST. The study suggests sufficient knowledge of regulations, guidelines, and rules to the public through several proper communication channels. Similarly, the government should continue to strategize to enhance communication among the Malaysians on the SST.

Noting from the study of the significant influence of government accountability on public acceptance of SST implementation in Malaysia, the government should institute appropriate reforms to restore public confidence in its best transparency and accountability practices.

This study's potentials can contribute to taxes and public acceptance literature by implications of the theory, method, and practice. It is the first to examine the tax burden, tax fairness, tax knowledge, and government accountability after implementing SST in Malaysia empirically.

The study emphasizes a strong need for more future SST research to test other variables that could enhance Malaysia's public acceptance.

AUTHOR CONTRIBUTIONS

Conceptualization: Nur Erma Suryani Mohd Jamel.
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Project administration: Nur Erma Suryani Mohd Jamel.
Resources: Oluwatoyin Muse Johnson Popoola.
Software: Oluwatoyin Muse Johnson Popoola.
Supervision: Oluwatoyin Muse Johnson Popoola.
Validation: Nur Erma Suryani Mohd Jamel, Oluwatoyin Muse Johnson Popoola.
Visualization: Nur Erma Suryani Mohd Jamel.
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http://dx.doi.org/10.21511/ppm.18(4).2020.20

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