

Perception of High-Value Goods Tax Implementation in Malaysia Among Postgraduate Students at Universiti Utara Malaysia

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Abstract

The high-value goods tax in Malaysia is part of the government's strategy to increase revenue by taxing luxury or expensive items. The study purposely investigates the perceptions of postgraduate students at Universiti Utara Malaysia regarding High-Value Goods Tax (HVGT) which aligns with the Theory of Planned Behavior as attitudes, subjective norms, and perceived behavioral control are confirmed to be the basis of the perceptions. This study is designed with a qualitative approach to get an in-depth perception among a group of respondents taking into consideration their background and knowledge of taxation matters. Overall, the respondents believed that it is their responsibility to pay for the tax if imposed and in fact, willing if the rates are not a burden to them. The respondents also agreed on the elements of subjective norms where friends, family, and peers also play roles in sharing knowledge about HVGT and indirectly affect their decisions. A few other elements are also being highlighted to influence the respondents' perception of the HVGT's implementation in Malaysia such as support, knowledge, and affordability. This study adds to the existing literature on HVGT perceptions and offers valuable insights for policymakers to consider when refining HVGT policy in Malaysia.

Keywords: Perception, knowledge, attitudes, High-Value Goods Tax, postgraduate

1. INTRODUCTION

The Malaysian government has introduced new tax policies as part of "Belanjawan 2024" to diversify revenue sources. Among these, the high-value goods tax (HVGT) will target luxury items like watches, jewelry, designer goods, and cars, with rates between 5% and 10%, effective May 1, 2024 (The Star, 2023; EY Malaysia Tax, 2024; Lai & Aziz, 2024). The aim is to increase government revenue by focusing on wealthier individuals, ensuring the tax burden is equally distributed without impacting low-income groups. A Tourist Refund Scheme will also mitigate potential adverse effects on tourism by allowing foreign tourists to claim refunds on high-value purchases. However, the HVGT's implementation is delayed due to debates over the definition and threshold of "high-value goods." This measure not only seeks to boost revenue but also addresses wealth inequality and encourages sustainable consumption, aligning with global sustainability goals.

A high-value goods tax is a form of taxation levied on luxury items or goods considered non-essential and typically expensive. These goods include luxury vehicles, jewelry, high-end electronics, and designer products. The purpose of imposing such a tax is to generate revenue from those who can afford to buy high-end products while discouraging the consumption of non-essential, luxury items. It also aims to reduce inequality by ensuring wealthier individuals contribute more taxes.

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In Malaysia, the concept of high-value goods tax can be linked to the Goods and Services Tax (GST) and later reforms, where specific categories of luxury goods were taxed at higher rates compared to essential items to achieve a fairer and more effective tax system. This is part of broader fiscal strategies to increase tax revenues and reduce the tax burden on essential goods consumed by the general population. Recognizing the need for comprehensive reforms, the new government is implementing a series of initiatives aimed at stimulating economic growth, enhancing public welfare, and ensuring sustainable development (Goh, 2023; Fachrunnisa & Meliasari, 2023). These initiatives are designed to attract foreign and local investment by improving Malaysia's infrastructure, encouraging technological development, and creating a more favorable business environment.

Unfortunately, due to certain reasons, the HVGT proposed that was set to take effect on May 1, 2024 is pending in approval. The delay is due to disagreements regarding the definition of "high-value goods" and the price range of items that would be subject to the tax (New Straits Times, 2024). Indeed, it would give sufficient time for the authority as well as the public to familiarize with this new tax scheme. Accordingly, this study has taken the opportunity to explore more on the perception of the postgraduate students at Universiti Utara Malaysia (UUM) towards the implementation of HVGT in Malaysia once the postponement is lifted. Specifically, it is expected to have a general understanding of the perceptions related to HVGT, examining their attitudes indirectly via the conversation and identifying concerns or anxieties if any about the HVGT and its implications.

2. LITERATURE REVIEW

High-Value Goods Tax (HVGT), also known as luxury tax, is imposed on non-essential or discretionary goods and services, particularly high-value items that are not necessary for basic living. Typically, the tax is calculated based on the market value of these luxury goods, often as a percentage of that value. HVGT can also extend to luxury services, such as high-end spa treatments or private jet charters (Karaleu & Tishkovskaya, 2023). This tax is a form of selective sales or excise tax primarily targeting goods consumed by wealthier individuals, underpinned by the rationale that the purchase of luxury items indicates an extraordinary capacity to pay taxes (Nahapetyan, 2012). HVGT aims to promote fairness in the tax system by targeting those with higher purchasing power and not imposing the same burden on lower-income consumers, thereby enhancing tax equity (Yossinomita, 2022).

The purpose of HVGT is to address social and economic challenges, such as wealth inequality, overconsumption, and the need to balance socio-economic conditions across different population segments (Baymagambetov et al., 2019). Excise taxes on luxury goods provide a targeted mechanism for generating revenue without imposing a significant burden on the broader economy. Although traditional perspectives suggest that such taxes create an "excess burden," Miller (1975) argues that they can effectively extract revenue from those who can afford luxury items without substantially distorting overall economic activity. Additionally, taxing luxury items bought for status can improve resource allocation by reducing overconsumption driven by social signaling. It enables the government to regulate public consumption of luxury goods while also protecting local producers from competition posed by imported luxury items (Yossinomita, 2022). Similarly, China's Import Tax Policy on Luxury Goods encompasses various regulations and taxes applied to luxury imports, intending to control the importation of such items, protect domestic industries, generate government revenue, and influence consumer behavior (Sun, 2018).

HVGT is commonly imposed in developed countries where individuals have the financial means to afford a wide range of luxury items. This tax is primarily targeted at high-income individuals purchasing luxury goods and services, such as high-end cars, yachts, private jets, designer clothing, and other high-value items (Karaleu & Tishkovskaya, 2023). The burden of HVGT generally falls on upper-class consumers who can afford such goods. Additionally, there have been proposals to extend HVGT to include pets classified as luxury, such as specific breeds of cats, dogs, and exotic fish. This extension aims to target affluent individuals who purchase these luxury pets, thereby generating additional state revenue and regulating the consumption of luxury goods (Nugraha et al., 2024). In terms of HVGT tax rates, it varies significantly across countries. For instance, France imposes a rate of 52%, Russia 13%, Belgium up to 50%, Finland 31%, and Bulgaria 10%, whereas Qatar and the UAE do not impose such tax at all (Baymagambetov et al., 2019). Generally, HVGT is applied based on the market value of luxury goods or services and is calculated as a percentage of that value. In some instances, HVGT is imposed at the point of sale (Karaleu & Tishkovskaya, 2023).

3.0 METHODOLOGY

This study employs a qualitative approach via semi-structured interviews to gather data from a group of postgraduate students at UUM. The students vary in semester ranging from semester 1 to semester 6. The sample postgraduate students are familiar with taxation and few are taxpayers. Basically, from the 18 postgraduate students interviewed, six were male and 12 were female in the range of age 25 to 52 years old. Three of the students were international students who contributed ideas on the HVGT as well by referring to their countries i.e., Iraq and Somalia.

Interviews are conducted with 18 postgraduate students from various academic disciplines such as accounting, business, management, and finance. This is to ensure a diversity of perspectives on taxation matters can be gathered. The group of postgraduate students was approached in several small groups and the semi-structured questions were thrown to get their personal views individually. The posture of understanding from their body language is also taken into consideration as it gives some meaning indirectly.

In analyzing the responses, thematic analysis is used to analyze the interview transcripts, identifying recurring themes and patterns in students' perceptions. Few patterns have been gathered and collectively explained accordingly. In overall, the responses have been divided into three aspects i.e., understanding, attitude, and concerns toward HVGT implementation in Malaysia.

4.0 DISCUSSION

Generally, postgraduate students believe paying taxes is the right thing to do as a good citizen. Respondents expressed that contributing to the tax system is not only a legal obligation but also a moral one that indicating their recognition of the societal benefits that result from tax compliance. The positive vibes or outlook is reflected in the mutual agreement from all the respondents about the importance of introducing the HVGT in Malaysia. Few mutual statements are agreeable by the others i.e.,

"It is ok as an additional tax imposed to cover the current taxes" (Respondents 1, 5, 9)

"I think it is a suitable time with today's trend" (Respondents 3, 8, 18)

The ideas put forward by the respondents generally can be viewed in a few elements. The perception towards the HVGT implementation in Malaysia is classified into attitude, effectiveness, and impact.

4.1 Attitude

Over time, these attitudes can change depending on new experiences or information, though deeply rooted attitudes may be more resistant to change. Indeed, few highlighted that it is their responsibility to pay HVGT once it is imposed in Malaysia. Indirectly, it reflected that the students recognized the importance of fulfilling their tax obligations and viewed it as an integral part of their civic duties. This is due to their understanding that paying HVGT contributes to the greater good and supports public services and infrastructure too. This is aligned with the attitudes and perceptions towards taxation that significantly could influence individuals' willingness to comply with tax regulations (Alm & Torgler, 2006). This is reflected in the following statements:

"The tax is for the public facilities too, I don't mind paying for the HVGT." (Respondents 1, 2, 3, 15)

"Somehow it benefited the public back." (Respondents 12,14, 17)

Hence, most students perceive the HVGT as fair, recognizing that it primarily targets high-income individuals. This view aligns with the idea that imposing higher taxes on luxury goods helps create equity by placing a greater burden on those with greater financial means. The confidence in the right mechanism of implementing HVGT, indirectly made them agree on the introduction of HVGT in Malaysia as the following statement supported:

"If you afford then you should pay the HVGT, it is fair." (Respondents 4, 5, 6, 10, 11, 13, 16)

"I think the authority has the right measurement, I trust the mechanism" (Respondents 14, 15, 16, 17)

4.2 Effectiveness

Some students believe that HVGT is effective in achieving its primary objectives, which include generating government revenue and reducing the consumption of non-essential luxury goods. By taxing high-value items, the tax serves as both a deterrent to overconsumption and a method to fund public services. Accordingly, the students perceived that if their family, friends, and peers think that HVGT should be implemented, then it is a collective acknowledgment of the importance and necessity of this tax among their social circles. Hence, others' perception seems to matter as a social endorsement and develop a favorable perception towards HVGT. Social endorsement of the effectiveness of HVGT or any other taxes seems to be crucial in shaping individual perceptions of tax compliance (Traxler, 2010). This is supported by the respondents as most of them expressed the following:

"I will pay if my friend pays for it." (Respondent 7, 8, 11, 12, 18)

"If others pay, I guess it is fair for me to pay the tax too." (Respondent 16, 17, 18)

4.3 Impact

The respondents also expressed concerns regarding the potential effects of HVGT on their personal finances, particularly when luxury goods become more expensive or scarce as a result of the tax. This perception suggests that even among high-value goods, there may be items that postgraduate students see as aspirational or important, and taxing these items could negatively impact their accessibility i.e., handbags and cars. Perhaps this concern is due to a lack of enough information shared by the tax authority. This is reflected in the respondents' feedback which showed that they do not have much information related to HVGT. The lack of information led to uncertainty in their responses where they were a bit unclear on the procedures, benefits, or implications of HVGT which made them confused or difficult to have a good perception of the tax. This perception could impact the perceived behavioral control and may hinder the successful implementation of HVGT soon. Inadequate information literacy skills create barriers and lead to uncertainty (Lwehabura, 2016). The concern could be captured from their statements as the following:

"What is the basis price i.e., coach handbag considered as luxury or MK is the basis price as luxury?"
(Respondents 4,8,16,18)

"I confirm local brand cars are not categorized as luxury compared to other brands." (Respondents 7,9,11)

"What if I bought a coach handbag but more than one in a year?" (Respondents 1,2,3,10)

The results indicate that students generally view HVGT as fair and effective, but they have concerns about its impact on accessibility and personal finances. While affordability is a concern, the quantity of HVGT should also be taken into consideration.

Basically, the students perceive fairness in the implementation of HVGT, underscoring the importance of social equity in taxation policies. This suggests that postgraduate students see HVGT as a mechanism that ensures the wealthy contribute more, thereby promoting a fairer distribution of tax burdens across different income levels. The sense of fairness is crucial in maintaining public support for tax systems, as it ensures that those who have greater financial capability are taxed more on non-essential, luxury items.

In terms of the economic impact of the HVGT, the students are concerned specifically with their personal finances. This reflects broader worries about how such taxes might indirectly influence various segments of the population, including those who might not be directly targeted by the tax. These concerns imply that while HVGT is designed for high-income earners, it still can generate indirect effects, such as increased prices or reduced accessibility to luxury goods that may affect broader economic dynamics.

The findings suggest that the government should take into account the views and concerns of students when crafting tax policies. Understanding perceptions about fairness and potential economic impacts is vital for designing effective policies that not only achieve revenue goals but also retain public trust and mitigate unintended consequences. Incorporating stakeholder input, including that of educated young adults, can result in more refined and widely accepted tax strategies that align with societal values. This participatory approach helps to ensure that tax policies are equitable and minimize resistance from the population.

5.0 CONCLUSION

This study provides valuable insights into postgraduate students' perceptions of the HVGT in Malaysia. The study highlights that while there is broad acceptance and recognition of the importance of paying taxes, there are also significant gaps in understanding and information about HVGT that impact students' perceptions. These insights contribute to both practical and academic fields and then offer valuable information for policymakers, educational institutions, and tax authorities to develop targeted strategies for improving communication, education, and support related to HVGT implementation. Indeed, it is important to consider the postgraduate students' perspectives too among other different stakeholders when implementing and evaluating tax policies. The findings offer valuable recommendations for policymakers and contribute to future research on the similar tax policy in Malaysia.

Indirectly, the findings of the study provide valuable insights that could help policymakers refine the HVGT. The tax authority may consider making adjustments to the tax structure, such as defining more precisely which goods are considered "high-value" or modifying the tax rates to ensure fairness. The study underscores the critical role of public awareness in the effective implementation of the HVGT. One of the key challenges is that a lack of understanding about the tax could lead to misconceptions, resistance, or even non-compliance. Hence, raising public awareness involves communicating the purpose of the HVGT, how it affects individuals, and how the tax revenues will benefit society at large. This could be achieved via targeted campaigns, informational seminars, or collaborations with educational institutions. Indeed, enhancing awareness not only helps in gaining broader public support but also ensures that people understand their responsibilities, which could lead to higher compliance rates and smoother execution of the tax.

This research can serve as a foundational study for future investigations into the broader impact of HVGT across different groups of society. This research can serve as a foundational study for future investigations into the broader impact of HVGT across different segments of society. Future studies could explore how different income groups are affected by the tax or assess the specific impact on industries that rely heavily on the sale of luxury goods. Such research could also evaluate the long-term economic effects of the HVGT, including its impact on consumer spending behavior and wealth distribution. By building on the insights from this study, future research can help in continuously refining the tax policy to better serve economic and social objectives, ensuring it remains effective and equitable over time.

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