

# Tax Professionals' Views on Continuing Professional Development (CPD) Programs in Malaysia

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## ABSTRACT

This article reports on a study examining continuing professional development (CPD) programs for tax professionals. The aim of the study is to identify the important source of knowledge and the process of acquiring knowledge through CPD programs. Using a quantitative survey method, the views of CPD program participants were gathered. This study finds that CPD programs are no longer perceived as the main source of tax professionals' knowledge enhancement. The ineffective programs lead tax professionals to search for knowledge through reading materials. Thus, this study suggests the needs to revise CPD programs in term of the contents and duration to re-attract tax professionals' participation in the programs. By organizing suitable and effective CPD programs to the needs of tax professionals in various task environments, it is hoped that mismatch between the objective of CPD programs and tax professionals' competencies is aligned.

**Keywords:** CPD, tax professional, tax knowledge, professional competencies

## I INTRODUCTION

The complexities of tax laws motivate taxpayers appoint tax agents/professionals to ease filling tax return. However, errors such as under reporting of income and deductions of ineligible expenses persist even with the assistance of tax professionals. After nine years (from 2001 until 2009) of tax audit implementation, it indicated the increasing trend in terms of amount and number of tax defaulters. The total of cases had marked increment from 1,604 cases in 2001 to 6,704 cases in 2006. The total of taxes and penalties imposed also had increased from RM 51.92 millions in 2001 to RM 692.68 millions in 2006 (The IRBM, 2006). More importantly, it also alarms the effectiveness of the CPD programs to the tax professionals.

In order to maintain their expert status, tax professionals must develop and continuously enhance their knowledge base to provide technical opinion on certain problems or issues faced by

clients (Roberts, 1998). The objective of CPD program is to raise the standard of competency and professionalism of these experts. However, the increase of tax defaulters shows a mismatch between the objective of CPD programs and professional competencies of tax professionals. Hence, this study is considered timely with the aims to identify the important source of knowledge, investigate the process of acquiring knowledge through CPD programs and make recommendations related to CPD programs which fulfilled the current needs of tax professionals.

This paper is organized as follows. The next section provides literature related to tax professional knowledge. This is followed by methodology section. Findings of the study are then presented in the data analysis section. This paper ends by providing discussion and recommendations for further investigation related to CPD programs in Malaysia.

## II TAX PROFESSIONAL KNOWLEDGE

Yamamura and Stedham (2007) suggest that professional knowledge consists of cognitive knowledge, advanced skills, systems understanding and self-motivated creativity. It is reported that the first three levels of professional knowledge were successfully developed by most professionals however they failed to address the forth level of knowledge i.e. self-motivated creativity. The nature of works and the environment in which tax professionals operate demand them to be knowledgeable. Guthrie (2004) found that the overwhelming majority (91%) of UK management accountants viewed CPD as an integral part of being a professional. Compared to the auditors, tax professionals face more challenging demand as their tasks differ in several aspects from auditors (Roberts, 1998).

IES 7 admitted that CPD on its own does not provide assurance that all members will provide high quality professional service all the time. Not only maintaining professional competence is important, the process should involve applying knowledge with professional judgment and an objective attitude.

Furthermore, it is not guaranteed that each person who participates in a CPD program will gain full benefits of the program attended. In order for CPE to be effective, participants must perceive the training as being effective in order to commit their time and effort to the training experience fully (Kirkpatrick, 1998). The participants of CPD program will value and see the program as effective when it fulfil their needs in respect of the organisations attached and the community that they are serving (Schostak *et al.*, 2010). This is because the commitment and capacity to learn differ from one person to another. Mandatory CPD is a condition of membership in many professions, such as medicine and law, including the accounting professions in Australia and New Zealand (Zajkowski, Sampson & Davis, 2007) as well as Malaysia. The Malaysian Institute of Certified Public Accountants (MICPA), for example, has made it mandatory for all MICPA members to complete at least 120 hours of relevant CPD activity in each rolling three-year period, of which 60 hours should be verifiable (CPA e-Newsline, 2009). Thus, it is important to continually evaluate and assess the competencies of professionals besides revising current CPD programs implemented by professional bodies in Malaysia so that the professionals are offered with up-to-date and effective knowledge programs.

To date, most studies on knowledge and education programs only focus on people's understanding and acceptance of tax phenomena as well as relevant concepts of taxation held by different groups of taxpayers (Hofmann, Hoelzl & Kirchler, 2008; Kirchler, Maciejovsky & Schneider, 2003). Little study was carried out on tax professionals' knowledge in order to accommodate the needs of the clients. Perhaps this is because generally all professionals are assumed to possess adequate knowledge due to their academic and professional qualification. Nevertheless, as the nature of taxation is complex and subjects to rapid change, McKerchar (2002) emphasizes that the possessed knowledge might be obsolete within certain period of time such as when changes announced in the National Budget each year. Since Malaysia will fully adopt IFRS in 2012, a lot of changes will be involved in accounting, auditing and taxation. Hence, all parties including tax professionals definitely are required to equip themselves with current knowledge. In addition, the nature of clients is unique and may differ from one to another. Thus, the knowledge of tax professionals must also be up to date and relevant to the particular client's case handled by them. For instance, Palmer, Ziegenfuss and Pinsker (2004) suggest eight aspects

of needed knowledge, skills and abilities for entry-level accountants, they are: communication skills, interpersonal skills, general business knowledge, accounting knowledge, problem-solving skills, information technology, personal attitudes and capabilities, and computer skills. Given the foregoing overview, this study attempts to investigate the effectiveness of current CPD programs run by professional accounting bodies specifically in Malaysia.

### III METHODOLOGY

Based on expert opinions through interviews, a questionnaire was developed and sent to tax professionals. The questionnaire was divided into three sections. Section 1 requires respondents to indicate the importance sources of knowledge in completing their daily tasks. In section 2, questions are focused on CPD programs, which covered four parts. In the first part, respondents are asked to specify the frequency of how they accumulate their CPD points. The second part elicits their perceptions on the purpose of attending CPD programs. The third part requests the respondents to state the importance of listed CPD topics in enhancing their tax knowledge. The fourth part seeks the respondents' preference on the CPD program approach. Demographic characteristics of the respondents are gathered in section 3 of the questionnaire. Questions in section 1 and section 2 were designed to elicit responses using a 5-point Likert scale.

#### A. Sampling Procedure

The data was gathered through systematic sampling procedure. A list of tax professionals' names and addresses were obtained from the IRB website and random selection was performed according to addresses in various states in Malaysia. After pilot testing, 500 questionnaires were mailed to the selected respondents. Finally, a total of 75 usable responses were analyzed. Despite this low number, the responses to all questions asked were normally distributed. A small number of missing values are excluded; hence, some totals are less than 75. The number of responses could be considered reasonable as similar to Zajkowski, Sampson & Davis (2007).

### IV DATA ANALYSIS

#### A. Respondents' Profiles

The respondents' profiles of this study cover respondents' age, gender, highest academic qualification, current position in organization and professional bodies' membership (as shown in Table 1). Majority of the respondents (51%) aged between 30 – 45 years. In terms of gender, the sample

consisted of about equal number of male (47%) and female (53%) respondents. Most of the respondents are degree holder (71%). Of the total respondents, thirty five percent (35%) hold position as manager/director, 28% are partners and 24% are supervisors.

**Table 1. Respondents' Profiles**

PROFILES		F	%
Age	Below 30 years	19	25.3
	30-45 years	38	50.7
	More than 45 years	18	24.0
	Total	75	100.0
Gender	Male	35	46.7
	Female	40	53.3
	Total	75	100.0
Highest Academic Qualification	Masters/PhD	3	4.0
	Bachelor Degree	53	70.7
	Diploma	9	12.0
	Certificate	1	1.3
	STPM	2	2.7
Total	68	90.7	
Current Position	Partner	21	28.0
	Manager/Director	26	34.7
	Supervisor	18	24.0
	Ordinary staff	9	12.0
	Trainee	1	1.3
Total	75	100.0	
Type of Firm Attached	Accounting services	9	12.0
	Big four Audit Firm	5	6.7
	Medium Audit Firm	32	42.7
	Small Audit Firm	23	30.7
	Others	5	6.7
Total	74	98.7	

The questionnaire also was designed to elicit the type of firms attached by the respondents. Majority (43%) of the respondents are attached to medium-sized audit firm, 31% are attached to small-sized audit firm, and 7% are attached to 'Big 4' audit firm. The rest of the respondents are attached to firm that provide accounting services only (12%).

The final category of the respondents' profiles report their professional memberships. Out of the total respondents, 40 of them are Malaysian Institute of Accountants (MIA) members, 18 are Association of Chartered Certified Accountants (ACCA), 9 are Certified Public Accountants (CPA), 5 are Chartered Institute of Management Accountants (CIMA), 4 are Malaysian Institute of Certified Public Accountants (MICPA) and 2 of them are Institute of Chartered Secretaries and Administrators (ICSA) members. Some respondents hold more than one professional membership however, 24 of the respondents are not members of any of the professional bodies.

## B. Process of Acquiring Knowledge

The results of the importance sources of knowledge in completing the respondents' daily tasks are shown in Table 2.

**Table 2. The Importance Sources of Knowledge**

	N	Min	Max	Mean	SD
Public Ruling	74	1	5	4.55	0.71
Income Tax Act	73	1	5	4.44	0.80
Tax Bulletins/Updates/Circulars	74	2	5	4.34	0.71
Academic qualification	73	2	5	4.29	0.75
IRB's website	74	1	5	4.20	0.84
Case law	74	2	5	4.16	0.81
Professional Body Training	52	2	5	4.15	0.64
Peers/colleagues	74	1	5	4.05	0.77
In-house Training	69	1	5	4.00	0.97
IRB Training	72	2	5	4.00	0.89
Textbooks	74	1	5	3.88	0.81
Professional body's website	74	1	5	3.76	0.84
Research papers	72	1	5	3.56	1.01

The sources of acquiring knowledge listed in the questionnaire are four types: academic qualification, peers/colleagues, training sessions/workshops and reading materials. Concerning the training sessions/workshops, it is further divided into in-house training, training organized by IRB and professional bodies. Reading materials include the Income Tax Acts, public rulings, IRB's website, tax bulletins/updates/circulars, textbooks, case law and research papers. Of all the four types of sources, reading materials have been perceived as the most important source of knowledge in completing their daily tasks. In the reading materials category, the result shows that public rulings has been perceived as the most important source (mean = 4.55), followed by the Income Tax Act (mean = 4.44) and tax bulletins/updates/circulars (mean = 4.34). In respect of training sessions/workshops, respondents perceived training sessions organized by professional bodies (mean = 4.15) as the most important source of knowledge compared to in-house training sessions (mean = 4.00) and the sessions organized by IRB (mean = 4.00). However, the least three sources of knowledge perceived by the respondents are textbooks (mean = 3.88), professional bodies'

websites (mean = 3.76) and research papers (mean = 3.56).

**Table 3. Importance Sources of Knowledge Based on Firm Attached**

	Account Services (mean)	Big 4 (mean)	Med Size (mean)	Small Size (mean)
Public Ruling	4.22	<b>4.40</b>	<b>4.58</b>	<b>4.65</b>
Income Tax Act	4.22	<b>4.40</b>	4.45	4.50
Tax Bulletins/Updates/ Circulars	4.33	4.20	4.39	4.26
Academic qualification	<b>4.56</b>	3.60	4.35	4.30
IRB's website	4.00	4.20	4.16	4.35
Case law	3.67	4.00	4.26	4.17
Professional Body Training	4.13	3.25	4.17	4.36
Peers/colleagues	4.22	4.00	4.13	3.87
In-house Training	4.33	4.20	4.03	3.76
IRB Training	3.67	4.20	4.07	4.00
Textbooks	3.89	3.40	3.97	3.83
Professional body's website	3.56	3.20	3.87	3.70
Research papers	<u>3.00</u>	<u>3.20</u>	<u>3.76</u>	<u>3.48</u>

Comparing the importance sources of knowledge based on tax professionals' firm attached, the results as shown in Table 3 indicate that public rulings remain as the most important sources of knowledge among tax professionals attached to audit firms regardless of the firm size. However, it is interesting to note that the scenario is different for tax professionals in accounting services who perceived academic qualification as the most important source of knowledge. Nevertheless, research papers are still regarded as the least important source of knowledge among all tax professionals in all firms attached.

### C. CPD Program

Accumulation of CPD points among tax professionals is as shown in Table 4. The results indicate that tax professionals accumulate the most CPD points through participation in seminars/conferences (mean = 3.63) followed by reading technical/professional/ financial/ business literature (mean = 3.56). Writing technical articles/papers/books is considered as the least favorable ways in accumulating CPD points among the tax professionals.

**Table 4. Accumulation of CPD Points**

	N	Min	Max	Mean	SD
Participate in seminars/conferences	73	1	5	3.63	0.99
Read technical/prof/ financial/bus. literature	72	1	5	3.56	1.06
Participate in workshops	72	1	5	3.31	1.10
Participate in meetings, briefing sessions or discussion	72	1	5	2.94	1.12
Use technical research for practical work	71	1	5	2.76	1.08
Use of audio tapes, videotapes	71	1	5	2.04	1.06
Conduct workshops	71	1	5	2.03	1.10
Speaker/presenter in seminars/conferences	72	1	5	1.92	1.25
Further study	72	1	5	1.83	1.16
Writing technical articles/papers/books	72	1	5	1.46	0.89

The result of tax professionals' purpose to attend CPD programs is shown in Table 5. It is observed that the main purpose of attending CPD programs is to get updates on new tax matters (mean = 4.29) and to improve professional skills (mean = 4.27). The respondents seem to least agree that their purpose of attending CPD programs is to fulfill requirement by employers.

**Table 5. Purpose of Attending CPD Program**

	N	Min	Max	Mean	SD
To get updates on new tax matters	73	2	5	4.29	0.86
To improve prof. skills	74	1	5	4.27	0.93
To fulfill the prof. membership requirement	74	1	5	4.24	1.04
To enhance knowledge	74	1	5	4.24	0.92
To fulfill requirement by the tax authority	73	1	5	3.97	1.22
To broaden professional/corporate networking	73	1	5	3.81	1.02
To fulfill requirement by employer	70	1	5	3.17	1.15

Respondents were asked to indicate the level of agreement towards the content of CPD programs in enhancing their knowledge. The result is represented in Table 6. The contents listed in the questionnaire consist of common topics discussed in CPD training programs worldwide. Of all the 17 topics listed, the five highly rated as important based on their means

are taxation of SMEs (4.32), tax planning (4.18), individual taxation (4.10), taxation of big companies (4.03) and taxation of partnership business (3.94). On the other hand, topics related to indirect taxes (3.55), deferred taxation (3.53), taxation for specialized industries (3.53), taxation of permanent establishment (3.50) and taxation of international transaction (3.35) were rated as the least important.

**Table 6. Importance of Contents in CPD Programs**

	N	Min	Max	Mean	SD
Taxation of SMEs	73	2	5	4.32	0.80
Tax planning	72	1	5	4.18	0.94
Individual taxation	73	2	5	4.10	0.85
Taxation of Big companies	73	1	5	4.03	1.04
Taxation of partnership	70	2	5	3.94	0.92
Tax cases	72	1	5	3.92	0.88
E-filing and E-filling	72	2	5	3.82	0.91
Non-residents: Companies	69	1	5	3.80	1.04
Non-residents: Individuals	69	1	5	3.77	1.05
Goods and Services Tax	72	1	5	3.65	0.97
Legal ethics in taxation	73	1	5	3.63	1.06
Transfer pricing	72	1	5	3.61	0.94
Indirect taxes	73	1	5	3.55	1.03
Deferred taxation	73	1	5	3.53	1.07
Taxation for specialized industries	72	1	5	3.53	1.11
Taxation of permanent establishment	72	1	5	3.50	0.96
Taxation of international transaction	72	1	5	3.35	1.10

As shown in Table 7, the importance of the CPD programs contents is further investigated according to type of firm attached by the tax professionals. Among the four types of firms, it is obvious that tax professionals attached to Big-4 audit firms perceived differently towards the importance of contents in CPD programs to enhance their knowledge as compared to their counterparts in other firm types. The results show that tax professionals in Big-4 perceived tax planning, taxation of big companies as well as tax cases as the most important topics (mean of each topic = 4.40). In contrast, tax professionals in the other three types of firms agreed that taxation of SMEs as the most important topics with the mean of 4.25, 4.22 and 4.64 respectively. Similar situation is observed with regard to the least important topics perceived by the tax professionals. The results show that tax professionals in Big-4 perceived topic related to e-filing and e-filling (mean = 3.20) as the least important while topic related to taxation of

international transaction as the least important topic perceived by tax professionals in other firms.

**Table 7. Importance of Contents in CPD Programs by Firm Attached**

	Account Services (mean)	Big 4 (mean)	Medium Size (mean)	Small Size (mean)
Taxation of SMEs	<b>4.25</b>	3.80	<b>4.22</b>	<b>4.64</b>
Tax planning	<b>4.25</b>	<b>4.40</b>	4.10	4.23
Individual taxation	4.13	4.00	3.91	4.36
Taxation of big companies	4.13	<b>4.40</b>	3.97	3.95
Taxation of partnership	3.87	3.60	3.77	4.29
Tax cases	3.75	<b>4.40</b>	4.00	3.71
E-filing and E-filling	3.88	<u>3.20</u>	3.74	4.00
Non-residents: Companies	3.88	3.40	3.74	3.85
Non-residents: Individuals	3.75	3.40	3.77	3.80
Goods and Services Tax	3.50	3.80	3.62	3.67
Legal ethics in taxation	3.38	3.60	3.84	3.36
Transfer pricing	3.63	3.60	3.72	3.38
Indirect taxes	3.25	3.40	3.66	3.45
Deferred taxation	3.38	3.60	3.50	3.59
Taxation for specialized industries	3.50	3.40	3.59	3.38
Taxation of permanent establishment	3.50	3.80	3.56	3.29
Taxation of international transaction	<u>3.13</u>	3.60	<u>3.34</u>	<u>3.19</u>

Tax professionals were also asked of their preference towards duration of CPD programs session. The results is as shown in Table 8 where the most preferred duration is one-day workshop while 3 - 6 months is the least preferred duration.

**Table 8. Preferred Duration of CPD Program**

Duration	N	Mean	Type of Firm Attached			
			Account Services (mean)	Big 4 (mean)	Medium Size (mean)	Small Size (mean)
One-day	73	4.40	4.62	4.20	4.26	4.70
Half-day	71	3.18	3.75	3.80	3.27	2.77
1 - 3 days	72	3.14	2.63	2.40	3.13	3.59
3 - 6 months	71	2.11	1.75	1.80	2.17	2.18

Similarly, the table also shows that regardless of the types of firms attached by the tax professionals, one-day workshop is the most preferred duration. Interestingly, tax professionals in small size audit firm prefer one to three days seminars/conferences as

compared to half-day training session. On the other hand, tax professionals in the other three types of firms prefer half-day training session than one to three days seminars/conferences. 3 – 6 months continuous session remains as the least preferred duration by all tax professionals in all types of firms.

## V. DISCUSSION AND RECOMMENDATIONS

This study was carried out to identify the sources of knowledge perceived as important by tax professionals in completing their daily task. Furthermore, this study also investigates the acquiring knowledge process among tax professionals through CPD programs. Based on 75 usable questionnaires, this study serves as an exploratory attempt to provide evidences related to knowledge acquiring process among tax professionals.

As shown in previous section, almost all tax professionals agreed that public rulings is the most important source of their knowledge whereas research papers were perceived as the least important source of knowledge. This result of this study highlights that the process of acquiring knowledge among tax professionals is achieved through readings rather than attending CPD programs. As highlighted by a few respondents of this study, the reasons might be due to the failure of the speakers and the suitability of topics presented in the programs. Hence, this study signals for further investigation related to the effectiveness of CPD programs organized by professional bodies in enhancing tax professional knowledge.

As tax professionals are required to accumulate CPD points in order to maintain their professional memberships, this study finds that tax professionals prefer to accumulate their CPD points by attending seminars/conferences. However, it is interesting to highlight that tax professionals admitted that the purpose of them attending seminars/conferences is not because of accumulating the CPD points indeed, it is to update them with the current tax knowledge. Even though tax professionals prefer to participate in seminars/conferences, but in terms of duration, they favor a one-day session instead of longer session. Probably, if the speakers and topics covered in the programs are suitable and attractive, tax professionals will prefer a longer duration of CPD program session as this will increase their knowledge and concurrently increase their CPD points.

With respect to the contents of CPD programs, the most and the least important topics perceived by tax

professionals attached with Big-4 firm are different from those attached with other firms. The former perceived tax planning, taxation of big companies and tax cases as the most three important topics whereas the latter perceived taxation of SMEs as the most important topic. This might be due to the different task assigned to them although their professional qualification background is generally similar. Hence, the professional bodies should consider organizing CPD programs according to the needs of target participants rather than combining the topics and participants from all types of firms. This recommendation is also in line with Schostak et al. (2010) in order to organize a valued and effective CPD programs.

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