
CARBON TAX: IS MALAYSIA READY FOR IT? PERCEPTION FROM BUSINESS OWNER.

YUSNIYATI YUSRI¹ (bessekhunul50@gmail.com)

¹School of Business and Economics, Universiti Putra Malaysia, Malaysia

ABSTRACT

This study investigates the perceptions of business owners concerning their level of readiness and acceptance toward the implementation of a carbon tax policy in Malaysia. The introduction of carbon tax was initiated by the Malaysia government in 2018 to overcome environmental issues together to achieve environmental sustainability objectives. Understanding business perceptions and acceptance behavior is increasingly important as the carbon taxation gains prominence in developing countries. Primary data were collected through a self-administrative questionnaire distributed to 130 business owners at Petaling Jaya Selangor. Of 130, only 80 completed and usable responses were used in data analysis. Descriptive data were analyzed to accumulate their awareness and perception on the new system. This study highlights mixed reactions among businesses regarding the introduction of a Carbon Tax in Malaysia, with predominantly positive perceptions but some lingering concerns. Respondents generally acknowledged the environmental benefits, particularly in reducing emissions, and recognized the potential for indirect benefits to the public through government revenue utilization. However, some respondents expressed concerns about the potential impact on output prices and the purchasing power of low-income groups. Despite these apprehensions, many believed that the government would reinvest the tax revenues into sustainable initiatives, ensuring long-term benefits for the nation. Overall, the findings indicate that most respondents are knowledgeable about the Carbon Tax System, exhibit positive awareness of sustainability issues, and show concern for environmental preservation. This reflects a growing recognition of the importance of balancing economic and environmental priorities.

Keywords: Carbon tax, perception, fairness, climate change, government revenue

INTRODUCTION

Over the years, Malaysia government has step up the game in reducing the climate damages and Carbon tax has become a central issue. In 2015, Malaysia submitted its first climate action plan to UN Climate Change Conference to reduce the 45% of greenhouse gas emission intensity by 2023. In the 2018 budget speech, the 7th Prime Minister, Tun Dr Mahathir Mohamad at that time, has announced the plan to introduce a new tax system which is Carbon Tax to achieve both national economy and environmental objectives. However, in the 2019 Budget Speech, the imposition of this new tax system is silent until the recent budget 2025, this carbon tax system has been mentioned again by Dato Seri Anwar Ibrahim the 10th Prime Minister of Malaysia where the government announce to implement carbon tax by year 2026.

Before a new tax is being implemented, a deeper understanding among citizen is necessarily important to ensure the objective of the strategy and policy can be supported and achieved without any extra efforts to overcome the confusion and negative perception among society, especially industries related. The goal of reducing annual carbon dioxide emissions

by approximately 40–60 tonnes constitutes a considerable challenge. The main reductions should come from the industries of transportation sector, optimising the electricity usage by industries, public infrastructure and more development of green technology. Many actions have been taken by government as well as non-government organisation (NGOs) related to environment in reducing the climate damages.

Malaysia is one of the top exporters in mineral fuels, plastics, and rubber product in addition to crude oil and palm oil. These industries are reported as among the top ten industries that contribute to the intensity of carbon emission by World's Top Exports. Imposing carbon tax is an enhancer to reduce the damage and able to achieve both national objectives economically and environmentally. To achieve green economy, it is important to prepare the country towards innovative and green society. Carbon Tax is a new taxation system intended to support the country's planning and goals regarding carbon emission reduction. It functions as a fee charged on the combustion of fossil fuels' carbon content. The fee is imposed on each tonne of carbon emitted during the production, distribution, or use of fossil fuels (www.carbontax.org). The government determines a price per ton of combusted carbon and translates this into a tax.

According to Carbon Tax Centre, implementing a carbon tax is a highly effective strategy, with the potential to reduce CO₂ emissions from fuel combustion by one-third within a decade. Based on the

worldometer website, (<https://www.worldometers.info/co2-emissions/co2-emissions-by-country/>) as shown in figure 1, the main four countries contribute to the carbon emission are China, USA, India, Russia and Japan. Malaysia is reported to release 0.72% of CO₂ that contribute to the world climate damages that rank it at no 23 from 206 countries in year 2022. Currently, there are 27 countries that has implementing carbon tax among them are Argentina, Canada, Chile, China, Colombia, Denmark, the European Union, Japan, Kazakhstan, Korea, Mexico, New Zealand, Norway, Singapore, South Africa, Sweden, the UK, and Ukraine. (Carbon Tax Centre). It is also reported that around eighty-eight nations have constructed or started to make consideration in utilizing carbon pricing mechanisms, such as the Emissions Trading System (ETS) or carbon tax. This is part of the efforts to be responsible and showing their commitments in mitigating global warming and climate change.

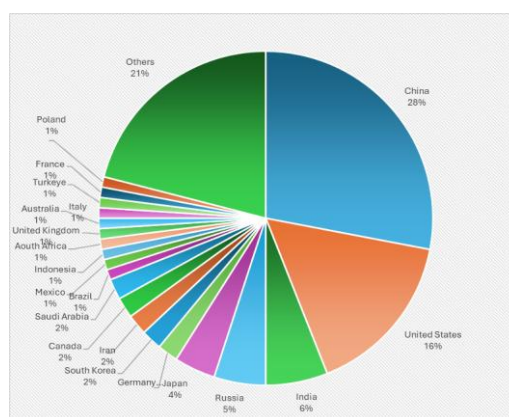


Figure 1: World's Top Carbon Emission Contributors.

Malaysian government has taken many initiatives to help industries reduce their cost and to set a best price on their

products to consumers, such as fuel subsidies and green investment incentive. However, with the proposed new carbon tax in Malaysian taxation system and the removal of subsidies will take place in the future will affect the profitability of a business and the limit the purchasing power of the consumers. It is also possible that a situation will arise where consumers, households, and nations are subject to carbon emission quotas. This would result in a scenario where nations impose taxes or caps on industries, regulating their production of goods and services in terms of carbon emissions. It can be predicted that consumers will have negative perception on price will be increased due to support the additional tax portion in the products (Povitkina et al., 2021).

The new proposed carbon tax system that is planning to be enacted in 2026, will have different perception and acceptance on society especially towards the increase in cost of production and price to the producer and consumers. On the other hand, this new system will create additional revenue for the government. Baranzini, Borzykowski and Carattini (2016) noted that while individuals are often more sensitive to environmental effectiveness, it is the anticipation of local benefits that plays a crucial role in determining acceptance. Presley K et al. (2018) argue that implementing a carbon tax is not solely for the purpose of welfare gains; it can also significantly reduce environmental pollution. They emphasize that this policy can be highly effective, and its importance should

not be underestimated. Thus, this study is conducted to investigate businesses' perspectives and readiness on the introduction and implementation of carbon tax in Malaysia. The specific research objectives are (i) to examine the awareness of businesses about Carbon Tax; (ii) to examine the readiness of businesses on the implementation of Carbon Tax System; and (iii) to investigate business's perceptions on the expected outcomes and the effect from the implementation of the Carbon Tax System.

LITERATURE REVIEW

Awareness and acceptance to new tax system

The awareness of government policy among public is important before the new policy can be implemented. Research indicates that the public possesses limited knowledge regarding various taxation systems. Furthermore, Moomal and Zakaria (2014) highlight a significant lack of awareness concerning how tax revenues are allocated for government expenditures. The information and transparency-ness of the system and the outcomes must be disclosed, and the information must be spread thoroughly as part to educate the people. Carattini, Carvalho and Fankhauser (2017) mentioned that government must use communication-channel in distributing the information. The study suggested that government can channel information such as targeted reduction of CO₂ by the implementation, the co-benefits that will be received by the people such as healthier air index, and better health quality to be offered and the

cost variation that could be affected by the imposition, effects on the economy and the effects on low-income class.

The implementation of a new tax system, such as the self-assessment system, necessitates that taxpayers acquire adequate tax knowledge beforehand (Loo, Evans & McKerchar, 2012). A lack of knowledge can hinder government performance and lead to failure in achieving national objectives. Therefore, it is imperative that citizens possess adequate knowledge, readiness, and acceptance regarding the new tax framework. To achieve this, information must be disseminated clearly and comprehensively to prevent misconceptions. This requires effective communication strategies regarding the carbon tax—specifically its objectives, benefits, and its impact on the economy as a whole. Consequently, a solid understanding of the Carbon Tax System is vital to enhance public literacy, acceptance, and trust. Transitions can be challenging without adequate preparation; indeed, Mansor and Ilias (2013) note that resistance often accompanies change. However, such opposition can be mitigated by reshaping the mindset of the public, particularly taxpayers (Hambali, Kamaluddin, & Alam, 2017). Ultimately, successfully aligning policy planning with public engagement will facilitate the achievement of government objectives in both the short and long term.

However, studies in accounting literature have indicated that the average level of tax literacy among Malaysians remains moderate. (Bhushan & Medury, 2013;

Kamaluddin & Madi, 2005; Abdul-Latiff, Bany- Ariffi, Che-Omar, and Harjito, 2005). It is not entirely fair to place full responsibility on the government to ensure that people are educated. Instead, the importance of education should be shared, starting at the earliest stages of learning. Since future taxpayers will emerge from schools, it would be prudent to introduce taxation as part of the syllabus as early as possible. Tax education should not be limited only to accounting and business students but should also include those from other disciplines (Palil, Akir, & Ahmad, 2013). Taxpayers are likely to be more receptive to the tax system if they are educated about it early on. Since taxpayers comes from various sectors, educational backgrounds, and economic activities, it is crucial to establish effective communication to enhance awareness among them. Study by Carattini et. al (2017) reports societal learning is important as part strategy, as it can avoid the risk of reversal policy which incurred when the change of government, as what happened to GST in Malaysia.

Perceptions toward new system

Positive perceptions of the tax system among taxpayers can have a beneficial impact, particularly for the government in implementing policies and progressing toward becoming a developed country. According to a study by Norsiah (2004), individuals with a positive attitude toward taxation often regard the system as fair and equitable, with effective tax administration and compliance with tax laws. However, perceptions

may also include skepticism toward the government, especially with the introduction of a Carbon Tax System. While designed as an alternative revenue source, such a system should also aim to incentivize efforts to reduce carbon emissions. Furthermore, taxpayers' perceptions and opinions about a new tax system can lead to misconceptions and impact economic activities and development. This is largely because many taxpayers lack awareness, low understanding of the taxes imposed. For instance, studies conducted during the introduction of GST revealed predominantly negative reactions.

The Fiscal Psychology Theory, introduced by Hasseldine and Bebbington (1991) highlights how taxpayers' behavior and attitudes toward taxation are influenced by psychological and social factors. The theory implies that taxpayers may become less inclined to fulfill their tax duties if they believe that paying taxes offers no real advantages or is unfair. This perceived imbalance contributes to a social gap between taxpayers and the government, leading to distrust and reduced tax compliance. The theory emphasizes the importance of fostering trust between taxpayers and the government to improve compliance. Effective strategies include transparent communication, equitable tax policies, and ensuring that taxpayers perceive value in their contributions through public services or incentives. This approach aligns with other compliance models, such as the "slippery slope framework," which also stresses trust and legitimate law enforcement as critical fac-

tors for compliance.

Muhammad et al. (2021), through a systematic review of empirical studies, identified several key factors influencing public acceptance of environmental taxes. Public support tends to increase when individuals are adequately informed about policy effectiveness and revenue utilization, demonstrate high levels of trust in government institutions, possess strong environmental awareness, perceive the policy as fair in terms of cost distribution, and show concern about climate change issues. These findings highlight the importance of effective public communication in enhancing understanding, feasibility, and societal support for environmental taxation policies. Consequently, policymakers are encouraged to communicate policy objectives, revenue allocation, and distributional impacts in a transparent, clear, and accessible manner.

Expectations with Revenue Return

Most of the countries and researchers had conducted taxpayer surveys to evaluate their perspective in developing a better tax system (James, Murphy, Reinhart, 2005). Apart from having competent knowledge, openness and acceptance of the tax system among the people, the perspective of the tax system is also a crucial area to ensure that the system's objective is achievable. Taxpayers' behaviour towards the tax system has triggered the attention from revenue authorities around the world, especially in developed countries (Marti, Wanjohi, Magut, 2010).

As highlighted by Carattini et al.

(2017), a well-designed Carbon Tax system is essential for engaging taxpayers and ensuring broad acceptance. They propose three design options for an effective implementation: Option 1 suggests gradually phasing in the tax rate over time, increasing it until the desired environmental objectives are achieved. This approach helps reduce taxpayer resistance, allowing the public to adjust more smoothly to the changes. Option 2 involves hypothecating the revenue generated by the tax to fund the additional costs associated with mitigation efforts. This revenue may be allocated to support the development of low-carbon technologies, thereby promoting their adoption. Over time, this strategy is expected to decrease in scope as demand for such subsidies diminishes, with public engagement growing and more information on emission trends becoming available. Option 3 aims to ensure a fair distribution of the tax burden while maintaining revenue neutrality. This means that the revenue generated from the tax should be redistributed in a way that does not increase the overall fiscal burden on taxpayers.

Most of the world's tax authorities have been conducted studies for ways and improvements to collect tax from taxpayers' regardless individual or from businesses. During the introduction of GST back on 2015, a study conducted by Hambali et al. (2017) reported that taxpayers moderately accept GST imposition in Malaysia because they believe that GST able to increase the national income. They also show moderate agreement regarding the benefits and fair-

ness of the GST for both taxpayers and the country. This can show the taxpayer's acceptability on tax system is positive, however, government must be competent with its objectivity in achieving national income. However, in the implementation of Carbon Tax System taxpayers may have different perceptions; the perceptions on revenue generated by government would be treated as part of government main revenue or mainly for the purpose of environmental sustainability developments. Bowen (2015) mentioned if government take the revenue of implementation of Carbon Tax System as revenue of government. This can give opportunity to the government to utilise the tax system and engage with the climate efforts into overall tax and spending decision. Meanwhile, taxpayers looking forward for the revenue to be used in a way that could give them eco-benefits.

METHODS

Research Design

This study adopted a quantitative research approach, utilizing a questionnaire that was manually distributed to a target population of businesses at Petaling Jaya in year 2021. The sample was selected using stratified sampling, a method where subjects with specific characteristics relevant to the study are chosen from the population. For this research, only businesses in the manufacturing, production, construction, oil & gas, and mining & quarrying sectors were included as the sample. The questionnaires were distributed to individuals in top management positions, including decision-

makers in areas such as finance, production, pricing, costing, and accounting. This selection was made to ensure that respondents had a general understanding of government policies and their potential impact on businesses.

The questionnaire in this study was divided into three sections. Section A gathered background information about the business and the respondent, Section B assessed awareness of environmental sustainability and knowledge of the carbon tax, and Section C included statements designed to gauge the businesses' expectations and perceptions regarding the implementation of the carbon tax. Sections A and B utilized nominal and ordinal scales, while Section C adopted a 6-point Likert scale. This scale allowed respondents to indicate their level of agreement with the statements, ranging from "Strongly Disagree" (1) to "Strongly Agree" (6), with intermediate responses

such as "Disagree," "Partially Disagree," "Partially Agree," and "Agree". The questions used in this study were adapted and modified from previous research to ensure they were suitable for this specific study.

RESULTS AND DISCUSSION

Respondent and Business' Background

The questionnaire was successfully distributed to 130 targeted samples. 80 questionnaires were returned and used for analysis in the study. Table 1 below shows the distribution of respondents across various industries. The largest percentage, 45%, came from "other" industries, which included sectors such as trading, audit firms, ICT, banking and education. The four primary industries Mining and quarrying (10%), Manufacturing (15%), constructions (18%) and Oil and Gas (13%) which made up 55%

Table 1: Respondents and business background.

Industry	%	Years in business	%
Mining & quarrying	10%	Less than a year	10%
Manufacturing	15%	1 - 3 years	5%
Constructions	18%	3 - 5 years	8%
Oil & gas	13%	5 years and more	78%
Others	45%	Total	100%
Total	100%		
		Position	
Qualifications		Managing director	8%
Diploma and below	20%	Project manager	18%
Bachelor	60%	Financial controller	8%
Master/Professional Cert.	18%	Account/ tax executive	43%
PhD/equivalents	3%	Production/ operation manager	10%
Total	100%	Production/ operation supervisor	15%
		Total	100%

of the respondents. The balance 45% come from other industries.

As for the business experience of the respondents, most came from companies established for over five years. 78% of the businesses had been in operation for more than five years. 13% had been in the market for over one to 5 years and 10% of businesses, were newly established, with just one year of operation. It is also reported that most of the respondents are an accountant or tax executive with the majority of 42.5%. The study then made further analysis that the 60% of the respondents with at least hold a bachelor's degree qualifications, and only 3% respondent having PhD degree.

Knowledge of Carbon Tax and Awareness of Environment Sustainability

Table 2 illustrates the respondents' knowledge and awareness of the Carbon Tax System. It shows that 55% and 42.5% of the respondents know and aware of the carbon tax system. However, the percentage

of respondents indicated they were unaware of the system is nearly 50%, especially when considering those who expressed uncertainty. This lack of awareness might be attributed to the fact that the Carbon Tax is imposed on the main producers rather than directly on consumers. Additionally, the Carbon Tax is not widely implemented in Southeast Asia and is not as well-known globally. Among Southeast Asian countries, only Singapore has introduced the tax, starting in January 2019. The global recognition of the Carbon Tax is limited, as evidenced by only 50% of respondents knowing that developed countries such as the USA, European nations, Australia, and New Zealand have adopted the system. Other developed ASEAN countries that have implemented the tax include China, Japan, and, surprisingly, India.

The respondents with the knowledge about the Carbon Tax perceived the effectiveness of the tax, with majority of 65% of respondents know the implementation has work effectively in generally point of view. Thus, it can be said that exposure should be

Table 2: Knowledge and awareness on Carbon Tax system

Percentage (%)						
Do you know what Carbon Tax is?	Yes		No		Maybe	
	55		32.5		12.5	
Do you aware the of Carbon TaxSystem?	42.5		42.5		15	
Do you aware that the Carbon Tax System has been implemented among developed countries?	50		35		15	
	Strongly Know	Know	Partially Know	Slightly Know	Not sure	Never Know
Based on your knowledge, has Carbon Tax worked effectively in the country that has implementing the tax?	5%	20%	17.5%	22.5%	32.5%	2.5%

made thoroughly to the final chargeable person to ensure the effectiveness of the implementation. Other than that, it can help the government to get cooperativeness from the businesses directly, and the end consumers indirectly. To avoid any chaotic environment and speculation, it is considered as an essential to ensure the people to have deeper knowledge and understanding regarding the tax system, otherwise, it leads to liability to government as they need to spend

more money on covering the loss of imposing it.

Table 3 showing the perception of the business owner toward Environmental Sustainability Issues. From the finding shows in table 3, 97.5% of the respondent concern with the environmental sustainability issues and only 2.5% have little concern with environmental issue. Although they mostly concern with the sustainability, the survey found that 50% of respondent

Table 3: Environmental Sustainability Issues

Item	Description	Percentage (%)
Concerns on environment sustainability	Strongly Concern	57.5
	Concern	30
	Slightly Concern	10
	Slightly Not Concern	2.5
	Not Concern	0
Who should be the most responsible parties to overcome environmental issues	Government	50
	Local Authorities	5
	Businesses	10
	NGO	2.5
	Household /Individuals	32.5
Who should play an active role to overcome environmental issues	Government	57.5
	Local Authorities	7.5
	Businesses	7.5
	NGO	0
	Household /Individuals	27.5

put the responsibility to government to take actions in conservative the environment and only 32.5% believed that the responsibilities lie on individuals. However, 10% of the respondents also believed the responsibilities must come from the businesses, generally, businesses should practise by not using excessive resources (electricity). It is part of the business's responsibility towards envi-

ronment sustainability. Most of the respondents affirmed that the programs, incentives and other initiatives would likely to be worked out by government. By more than half of the respondents believe government together with local authorities should play an active role in making the sustainability projects. Meanwhile, 27.5% of the respondents showed that individuals should start the

role by practising the eco-friendly house-rules start from home, and by self-awareness.

Perception Towards Introduction of Carbon Tax System

Generally based on table 4, the positive attitudes had been shown by the respondents on the introduction of Carbon Tax. Averagely, with 80% of the respondents support government's initiative in overcoming emissions issues by imposing Carbon Tax System and only 20% against it. The respondents believed that in a way to ensure government in achieving its objectives, businesses must cooperate with the plans structured by the government. Almost 85% respondents believed with the coopera-

tiveness can act as a catalyst to achieve the objectives. This is because, more than 50% respondents, with 80% of them deemed by imposing Carbon Tax in Malaysia it can be part of contributor to reduce the global warming issues. However, 87.5% stand to fully cooperative, and ensure the businesses to adhere with the systems, government must come up with incentives that can help the businesses or "win-win" situation where when the businesses make efforts to adhere with the system. Also, when they make efforts to find substitute for the usage of emission contributors. Almost 92.5% of the respondents have perspectives of by the taxing system to be imposed, it can affect the financial reporting, in fact pricing strategy

Table 4: Respondent's Perspective Towards Introduction of Carbon Tax System

	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
Government should implement Carbon Tax System	2.5%	2.5%	15%	25%	12.5%	42.5%
Businesses must cooperate with government's plan	2.5%	0	12.5%	22.5%	22.5%	40%
Alternatives for environmental sustainability must be supported with incentives from government	0	2.5%	10%	30%	25%	32.5%
Carbon Tax will affect the financial reporting, also the strategic pricing decision	0	0	7.5%	25%	30%	37.5%
Carbon Tax System can reduce global warming	0	5%	15%	17.5%	27.5%	35%
Carbon Tax can achieve its objective	0	0	10%	35%	27.5%	27.5%

also will be needed to restructure to ensure the business' sustainability.

Expectations on Revenue Generated by Imposing Carbon Tax System

Table 5 show responses on the expectation on revenue generated from carbon tax. Most of the respondents agree that the revenue generated by imposing Carbon Tax System must be used to make sustainability

development projects. More than 50% of the respondents also agree with the revenue generated should be return in a form of eco-friendly project developments. Enhancement of solar-tech usage can help to reduce the usage of electricity generating. The technology can be used for governments'

building, streetlights, park, and other public places.

As tabulated in Table 5, most of the respondents ranked comprehensive investment in eco-friendly project is the most important project to be done. At the same time, job opportunities will be growing in the sectors related. Lastly, the respondents

Table 5: Respondent's Expectation on Revenue Generated from Carbon Tax

	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
Tax revenue generated will be used for the sustainability projects development or programmes	0	0	17.5%	20%	30%	32.5%
The revenue generated by imposing Carbon Tax will help government in environment sustainability.	0	7.5%	17.5%	10%	27.5%	37.5%
The revenue generated will be distributed fairly to the low-income class	2.5%	5%	15%	37.5%	22.5%	17.5%
Government will make comprehensive investment in eco-friendly technology and sustainability project.	0	2.5%	10%	10%	27.5%	35%

also responded that the revenue generated expected to be used by the government in protecting low earners as to protect the buying power. They affirm that government must ensure the distribution of the revenue generated will be distributed fairly to aid the poor. To summary, respondents ranked the most expected development that will be made by the revenue generated; first to protect low earners, second to invest in eco-tech projects.

Perceptions on the effect on the Introduction Carbon Tax

The effect on the implementation of carbon tax is something that need to be ad-

here by government. Table 6 reported the perceptions of the respondent on the effect on the Introduction of Carbon Tax. It shows that only 10% of the respondents expect that the price of goods and services will not increase, majority (90%) believed that the price will be increased by the businesses as the cost of production will increase. This can be seen that most of the respondents affirm the cost of businesses will increase as they must bear the levies charged on the outputs or production. 85% of the respondents assume the cost will increase.

The changes of government policy

Table 6: Perceptions on the effect on the Introduction of Carbon Tax

	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
Businesses will increase the price of goods and services to bear the tax expenses incurred.	2.5%	2.5%	5%	27.5%	40%	22.5%
Cost of businesses will increase.	7.5%	0	7.5%	22.5%	37.5%	25%
Purchase power of lower-income earner will reduce.	0	7.5%	17.5%	30%	20%	25%
Tax administrators will act fully fairness.	5%	5%	17.5%	35%	27.5%	10%
New tax system will cause distributional effects.	2.5%	0	20%	35%	12.5%	30%
Consumer will reduce the consumption of taxed commodities.	2.5%	2.5%	5%	27.5%	40%	22.5%

can give many perceptions and perspectives not only to the end consumers, but also to the businesses directly. With the proposal of the new tax system left perceptions to the businesses that distributional effects could happen. As responded by 77.5% of the respondents, they have perceptions that the distributional effects will incur with the changes of government monetary policy, only 22.5% disagree that the implementation could lead to the distributional effect to happen. They also perceived that, by imposing the Carbon Tax, the consumptions of taxed commodities such as fuels will be reduced compared to now as not yet to be imposed.

Generally, the introduction of Carbon Tax System to be imposed in Malaysia have positive perceptions among the businesses. Most of the respondents can be said have general overview regarding the taxing system which lead to have positive perspectives.

Other than that, the awareness of environmental sustainability issues led the respondents to be in positive reaction to the introduction. However, they have high expectations on how the government recycle the revenue back by imposing the environment policy, especially in protecting the lower earners not to be affected by imposition. The respondents also seem to be expected for the government to make initial regressive eco-tech projects development.

CONCLUSION

In conclusion, this study highlights mixed reactions among businesses regarding the introduction of a Carbon Tax in Malaysia, with predominantly positive perceptions but some lingering concerns. The study, focused on businesses in Petaling Jaya, found that respondents generally acknowledged the environmental benefits, particularly in reducing emissions, and recognized the potential for indirect benefits to

the public through government revenue utilization. However, some respondents expressed concerns about the potential impact on output prices and the purchasing power of low-income groups. Despite these apprehensions, many believed that the government would reinvest the tax revenues into sustainable initiatives, ensuring long-term benefits for the nation. Overall, the findings indicate that most respondents are knowledgeable about the Carbon Tax System, exhibit positive awareness of sustainability issues, and show concern for environmental preservation. This reflects a growing recognition of the importance of balancing economic and environmental priorities.

Limitations and Suggestions for Future Research

This suggests that if the Carbon Tax system is well-designed, effectively structured, and accompanied by comprehensive public awareness campaigns detailing its functionality and benefits, its acceptance rate is likely to increase significantly. Individuals, as part of a collective responsibility, should actively contribute to addressing environmental issues alongside government and business efforts. Beyond reducing the consumption of taxed commodities, individuals can take proactive steps to support environmental sustainability. These measures include minimizing water usage, practicing recycling, and decreasing reliance on non-recyclable materials. By engaging in such initiatives, people can help mitigate environmental challenges and complement the broader goals of the Carbon Tax system.

A carefully planned policy design is crucial before implementing any system, as it encourages voluntary compliance with laws and regulations. When setting the tax rate, policymakers must determine the optimal initial rate, considering whether it's better to start high and gradually decrease or to begin with a lower rate and increase over time. This approach aims to align public support with government objectives while avoiding potential chaos. Economists generally argue that a gradual increase in tax rates, in line with economic growth, is the most effective strategy for smooth implementation and public acceptance. By adjusting rates incrementally, the burden on individuals and businesses can be minimized, fostering long-term compliance without overwhelming the economy.

The Carbon Tax System is not intended to be a punitive measure but rather a tool for promoting sustainability, benefiting both the government and its environmental goals. The implementation of this tax will inevitably affect government monetary policy, so careful planning and structuring are crucial—especially considering the impact on key economic sectors such as crude oil, which is a major source of income for the country. As a leading exporter of rubber, crude oil, petroleum, and other heavy industries, the tax system must be designed in a way that does not negatively affect output prices.

In addition, the system should consider the initial tax rate and a gradual scheduling of the rate over time. This approach will allow for the alignment of the tax sys-

tem with the broader global objectives of mitigating environmental damage, ensuring regular assessments and adjustments based on emission trends and economic growth. The simplicity and flexibility of the Carbon Tax System make it an appealing policy, as it is relatively easy to administer. Companies that already engage in green efforts should be incentivized by the government, which could help businesses ramp up their sustainability initiatives. Structuring these incentives alongside the tax system would not only support businesses but also encourage taxpayers to comply with the regulations. Finally, in designing and imposing the Carbon Tax, it is essential to ensure that the system is fair to all industries, supporting both local growth and global competitiveness. This balance will be key to the long-term success of the policy.

To avoid confusion and chaos among both taxpayers and the public, it is crucial to provide extensive exposure and clear communication regarding the tax system. Any disarray could negatively affect public perception and the government's standing. The information about how the tax system works and how it is implemented should be presented transparently to foster a deeper understanding. This transparency is essential not only for ensuring compliance but also for maintaining public trust in the government. Clear and open disclosure of the tax process will help eliminate doubts and enhance the credibility of the system.

REFERENCES

- Baranzini, A., Borzykowski, N. and Carattini, S. (2016). Carbon offsets out of the woods? The acceptability of domestic vs. international reforestation programmes. *Centre for Climate Change Economics and Policy Working Paper* No. 289.
- Baranzini, A., and Carattini, S. (2016). Effectiveness, earmarking and labeling: testing the acceptability of carbon taxes with survey data, *Environment Economic Policy Study* pp. 1–31. DOI 10.1007/s10018-016-0144-7
- Bhushan, P. and Medury, Y. (2013). Determining Tax Literacy of Salaried Individuals - An Empirical Analysis. *Journal of Business and Management*. Vol. 10(6) pp. 76-80. doi.org/10.9790/487X-1066771
- Bowen, A. (2015). Carbon pricing: how best to use the revenue? *Policy report*. Grantham Research Institute on Climate Change and the Environment. Pp.1-28.
- Carattini, S., Carvalho, M. and Fankhauser, S. (2017). How to make carbon taxes more acceptable. *Policy report*. Grantham Research Institute on Climate Change and the Environment. Pp.1-46.
- Hambali, S. S., Kamaluddin, A., & Alam, M. S. (2017). Taxpayers' Competency Level in Governing Goods Services Tax (GST) Compliance: Malaysia Scenario. *SHS Web of Conferences*, 36 (00042), 1–17. <https://doi.org/10.1051/shsconf/20173600042>
- Hasseldine, D. J., & Bebbington, K. J. (1991). Blending economic deterrence and fiscal psychology models in the design of responses to tax evasion: The New Zealand experience. *Journal of Economic Psychology*, 12(2), 299–324. [https://doi.org/10.1016/0167-4870\(91\)90018-O](https://doi.org/10.1016/0167-4870(91)90018-O)
- Kamaluddin, A. and Madi, N. (2005). Tax Literacy and Tax Awareness of Salaried Individuals in Sabah and Sarawak. *Journal of Financial Reporting and Accounting*. Vol 3(1). Pp. 71-89. DOI: 10.1108/19852510580000338
- Abdul-Latiff, A.R., Bany- Ariffib A.N., Che-Omar, M. R. and Harjito, D.A. (2005). Tax Literacy Rate Among Taxpayers: Evidence from Malaysia. *Jurnal Akuntansi dan Auditing Indineisia*. Vol. 9(1).
- Loo, E., Evans, C. and McKerchar, M.A.

- (2012). Challenges in Understanding Compliance Behaviour of Taxpayers in Malaysia. *SSRN Electronic Journal*. 3(2). doi.org/10.2139/ssrn.2128378
- Moomal, A., & Zakaria, Z. (2014). Awareness, Acceptance and Expectations of Malaysia Consumers Towards Good and Service Tax (GST). *Journal of Contemporary Management Sciences*, 4(2), 15-27.
- Muhammad, I., Hasnu, N.N.M. & Ekins, P. 2021. Empirical research of public acceptance on environmental tax: A systematic literature review. *Environments* 8(109): 1–20.
- Muhammad, I., Hasnu, N.N.M., Ibrahim, M.A., Hamid, S.A. & Hanefah, M.M. 2022. Trust in government and its determinants: An empirical study of public acceptability for carbon tax in Malaysia. *Sustainability* 14: 1–12.
- Muhammad, I., Mohd Hasnu, N.N., Ibrahim, M.A., Abdul Hamid, S. and Mohd Hanefah, M. (2023). Public Acceptance of Carbon Tax Implementation: A Nationwide Empirical Study in Malaysia. *Jurnal Pengurusan*, 69(6).
- Norsiah, A. (2004), Gender differences of attitudes towards taxation. *Akademika* 65, Vol. July. Pp. 125-135
- Palil, M. R., Md. Akir, M. R., and Wan Ahmad, W. F. (2013): The perception of taxpayers on tax knowledge and tax education with level of tax compliance: A study the influences of religiosity. *ASEAN Journal of Economics, Management and Accounting*, 1(1), 118-129
- Povitkina, M., Jagers, S.C., Matti, S and Martinsson, J. (2021). Why are carbon taxes unfair? Disentangling public perceptions of fairness. *Global Environmental Change*. Vol. 70, doi.org/10.1016/j.gloenvcha.2021.102356
- Arif, R. (2018). *Faktor-Faktor Yang Mempengaruhi Implementasi Standar Akuntansi Pemerintahan Berbasis Akrua (Study Empiris Pada Pemerintahan Kabupaten Lamongan)*. *Akuntansi*, 9(08).