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Investigation into what the Malaysian public wants from environment protection tax laws in Malaysia

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Abstract

This study looks at one of the many tools to promote environmental sustainability, namely environmental taxation. This research identifies the gaps between current Malaysian tax laws and practices in the countries reviewed, as well as the desires of Malaysian taxpayers which are not practiced in other countries. A mixed-method approach was used in this study. In the qualitative method focus groups and interviews involving 30 experts from various disciplines thoroughly explored what taxpayers want from environmental taxation laws. The quantitative approach entailed emailing a set of questionnaires to more than 700 respondents. The researcher developed and tested the environmental taxation acceptance model and its variables. In the model, the taxpayer engages in voluntary compliance, forced compliance or non-compliance with environmental tax laws. Environmental taxation does play a role in encouraging good environmental behaviour; however, it only performing a supporting role in encouraging environmental preservation. Public education about good environmental behaviour, enforcement of environmental laws and supporting services should be practised along with environmental taxation laws. The Life of Pi Theorem is introduced. The theorem proposes that environmental taxation (or any other eco-friendly policy) will never restore nature to its original glory. From time to time, man will sin against nature by destroying it, but he could not complete the total destruction of nature. Environmental taxes are tools man uses to atone for his sins against nature.

Keywords: Environmental policy, Taxation policies, Environmentalism, Malaysian government policies, philosophy.

1. INTRODUCTION

Many countries have paid serious attention to environmental degradation since the 1980s. One issue relates to the thinning of the ozone layer. Problems concerning the environment such as global warming and the disappearance of many animal and plant species have been highlighted. Various measures and tools have been developed by governments and the public to elevate the issues relating to environmental degradation. Some measures are voluntary, such as the removal of shark fins from the dinner table, while others have been exercised using the power of the law such as tolls imposed when entering city limits. Taxation is a tool that governments use both to collect revenue and to prevent or encourage certain behaviour. As taxation is monetary in nature, it is a good way to encourage or discourage a country's citizenry to behave in a certain way as deemed appropriate by the government. Throughout the world, taxation is used as a means of encouraging good environmental practices and dissuading the citizens of a country from engaging in practices that could further damage the environment. The Organisation for Economic Co-operation and Development (OECD) defined environmental taxes as 'any compulsory, unrequited payment to general government levied on tax-bases deemed to be of particular environmental relevance. (OECD, 2003)

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The researcher was curious about the acceptance level of environmental taxation on the Malaysian taxpayer. The researcher embarked on this study between periods of December 2011 and July 2012 to satisfy his curiosity.

The specific research objectives are as follows:

- To evaluate the level of acceptance of environmental law as a means of increasing the environmental commitment in Malaysia
- To identify the best practices in environmental preservation initiatives that should be included in Malaysian tax laws
- To create a theorem to explain how environmental preservation can be properly included in tax law.

2. FRAMEWORK

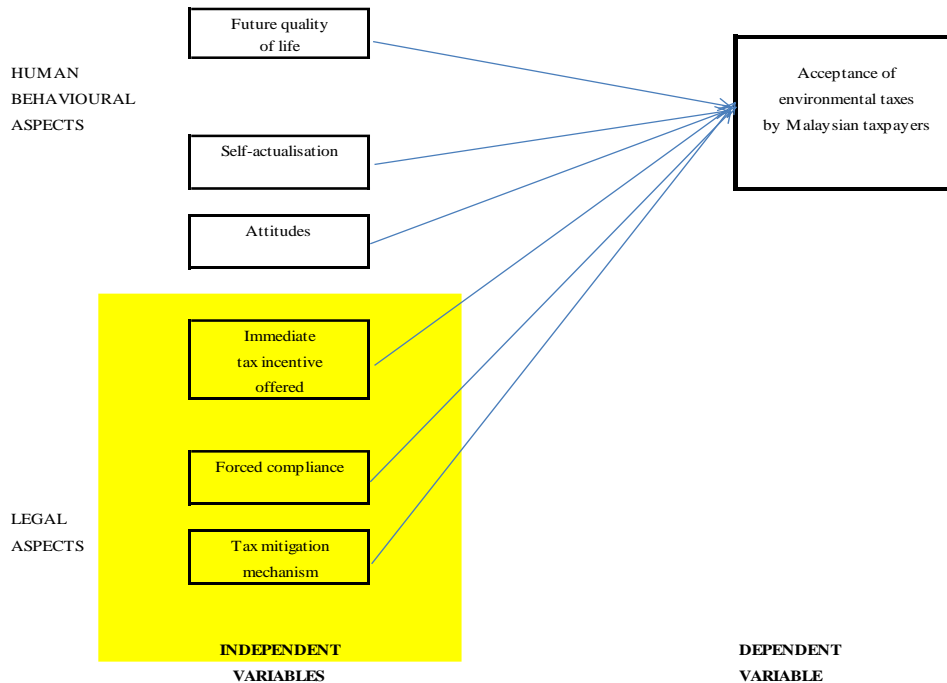


Figure 1 Schematic diagram of the conceptual framework

Figure 1 presents the variables identified in the environmental taxation model developed in this study. The independent variables were quality of life, self-actualisation, attitudes, immediate tax incentives, forced compliance and tax mitigation.

Quality of life. Taxation is monetary payments made by the public to the government to fund public goods and services. Sacrifice must be made by the taxpayer in return for the reward of public goods. Therefore, for environmental taxation to succeed, taxpayers must commit to sacrifice any environmentally unfriendly aspect of their lifestyle.

Self-actualisation. A person who has achieved self-actualisation, according to Maslow (1943), has fulfilled all personal needs and wants. In this context, the understanding that sacrificing of one's behaviour and that a comprehensive set of environmental tax laws is good for personal wellbeing are significant signs of self-actualisation.

Attitudes. A positive attitude towards the environment is significant for acceptance and success of environmental tax laws by the public. While no humans in their right mind would wish for the total destruction of the environment, apathy hinders good environmental practices.

Immediate tax incentives. Immediate tax incentives are significant in the acceptance of the tax. O'Donoghue and Rabin (2001) explained that humans all have problems with self-control and want immediate gratification, rather than waiting a long time for good to occur. The public is not willing to accept a tax regime that brings good only in the future. For the public to accept environmental taxation, it is imperative that there be incentives that can be enjoyed immediately by the public

Forced compliance. Festinger and Carlsmith (1959) concluded that, if individuals perform an action that goes against what they personally believe, doing so typically change what they believe. Forced through environmental taxation laws to perform actions to protect the environment, the public will comply with environment tax laws, become accustomed to them and slowly switch from environmentally unfriendly to environmentally friendly behaviour.

Tax mitigation. Again, although tax mitigation is a significant variable in ensuring the public's acceptance of environmental tax laws, the merits of any given law are not significant to the person who wants to reduce tax liability.

3. LITERATURE REVIEW

The researcher looked at various social issues and economic models dealing with environmental taxation. Among the issues explored were environmental policies, social aspects of environmental taxation, including the acceptance of environmental taxation, the economics of environmental taxation, contemporary issues involving environmental taxation such as employment and emission trading and best practices in environmental tax laws. Table 1 presents key pieces literature that gave good inspiration to the research.

Table 1. Key Pieces of Literature

Researcher	Findings	Suggested Future Research
Chen, Bao and Zhu (2006)	The reasons underlying respondents' willingness to pay to protect the green spaces of Hangzhou were: protection of the aesthetics of Hangzhou, the availability of recreation, the increases in property value, the availability of shade to protect against glare and noise, the preservation of seasonal colour changes, the reduction of air pollution and the control of dust particles in the atmosphere.	Is the public open to the concept paying a fee before entering a public space?
Clement and Chang (2010)	Environmental tax policies can succeed only if the public puts higher value on the environment than immediate economic gains.	Can the value of the environment be quantified for the public?
Coarse (1960)	Restricting the methods of production by a harmful firm would result in more production by the hurt party at the cost of a reduced supply of the harmful products. The transaction costs of negotiations between the firms would eat up any welfare-maximising reallocations. In such cases with potentially high transaction costs, the law could intervene to reduce costs.	Can the value of the environment be quantified for the public?
Graci (2008)	Organizational factors such as star ratings and international clientele positively influence the level of environmental commitment in an organization.	If Graci concentrated on issues pertaining to eco-tourism, could the issues on environmental commitment highlighted by her be extended to environmental taxation?
Guglyuvatty (2010)	Any environmental policy evaluation tool must include environmental effectiveness, transparency, minimisation of rent-seeking, correct price signals and flexibility.	How does the lack of transparency hinder the acceptance of any environmental policy?
Hacatoglu (2008)	Substitution of biofuels for fossil fuels can help meet a country's greenhouse gas emission reduction targets.	Is substituting biofuels for fossil fuels a sustainable measure, or are any other forms of energy more sustainable?
Khor (2012)	Deeply rooted cultural traditions are hard to change. The government should use education, determination and encouragement to withstand conflict with deeply-rooted beliefs.	How effective is education at changing any deeply rooted cultural tradition?
Metcalf (1999)	In the United States, a modest tax reform in which environmental taxes equal to 10% of federal receipts is quite effective.	Is this measure acceptable to the public in the United States or anywhere else in the world?
Mewton and Cacho (2011)	If the Australian Government purchases green power and sells it to the public, that measure is more cost effective than giving tax incentives in the form of tax deductions to residential customers, exemptions from the goods and services tax or even a green power tax rebate.	Mewton and Cacho's (2011) suggestions were merely conceptual. A study on whether this proposal is acceptable to the Australian populace should be conducted.
Nyborg (2010)	Environmental taxation makes it very costly to be not environmentally friendly. The tax makes individuals more prone to adopt or maintain environmentally friendly moral values.	Are there any variables that would discourage a taxpayer from being eco-friendly?
Sperling and Yeh (2010)	Any energy policy forced upon the public by the state will fail ultimately.	Studies on energy policies must include all stakeholders.
Sugii (2008)	An economic disincentive, or a tax, is the most powerful and effective policy at reducing the environmental impact from the use of plastic bags.	Are there any variables that would discourage a taxpayer from being eco-friendly?
Vourc'h (2001)	In Canada, tax incentives are particularly important in the non-renewable resource sectors, such as oil and gas, which face especially low effective tax rates on marginal investments.	Studies on energy policies must include all stakeholders.
Weaver (2007)	Positive environmental policy has a correlation with public opinion related to energy subsidies, funding for environmental projects and environmental governance.	Studies on energy policies must include all stakeholders.
Wadud (2011)	Tradable permits as a form of environmental tax to control vehicle emissions are an alternative to the traditional carbon tax.	How can tax policies be designed to encourage the reduction of emissions and the development of environmentally friendly technology?

4. METHODOLOGY

A mixed-method approach was used in the research as follows:

- In the qualitative approach, focus groups and interviews were conducted to explore what taxpayers and interest groups want from environmental taxation laws. The qualitative approach injected realism into the study by identifying the gaps in what selected Malaysian taxpayers really want to be addressed.
- A quantitative method was conducted next. Since the research dealt with the acceptance of environmental taxes by Malaysians, the samples used should be large. By using questionnaires, a bigger sample of respondents could be obtained. Questionnaires were sent via snail mail, email, hand delivery and social media including Facebook and LinkedIn to ensure a large audience. Results from the questionnaires were analysed using SPSS. The quantitative approach entailed emailing a set of questionnaires to more than 700 respondents.

Qualitative approach: Focus groups and interviews involving 30 experts from various disciplines thoroughly explored what taxpayers want from environmental taxation laws. The key points of the interview are tabulated using NVivo. The expert interview and focus group interview transcripts and minutes were loaded as sources into NVivo. QSR NVivo9 uses nodes to represent a certain idea in the project. The researcher started with an initial 15 nodes. The researcher opened each source file, went through the transcripts, highlighted the key points and created a node for each new theme uncovered. The researcher discovered the following new themes and marked them as nodes. The researcher read the transcripts again and matched the key issues discussed by each expert with the relevant node. The researcher then ran the cluster analysis to enable visualising the connections between the various issues discussed by the experts. The software generated a tree map called 'Nodes Clustered by Coding Similarity' shown in Figure 2 which presents out a flowchart of the various ideas presented by the experts.

Quantitative approach: A 48-question survey was administered between late May and July 2012. It had 45 seven-point Likert scale questions asking the respondents how they felt about present and future developments on environmental taxation using a 7 point scale. The survey had six distinct sections i.e. Understanding and Acceptance of Current Environmental Tax Laws, Outcomes, Taxpayer Comprehension, Commitment and Comprehensive Laws, Taxpayer Preferences and Future Development.

5. FINDINGS

A summary of the statistical findings is shown in Figure 2.

Quality of life. Improvement in the present quality of life will impact future quality of one's life (sig. =0.00). The implication here is that the quality of life today will have an impact on life tomorrow.

Self-actualisation. The understanding of the need for sacrificing of one's behaviour (sig. =0.00) and the knowledge that comprehensive environmental tax laws are good for a person's wellbeing (sig = 0.00) are significant attributes in self-actualisation (Subramuniaswami, 2003). As part of achieving some level of self-actualisation, voluntarily restraining oneself from environmentally destructive behaviour and knowing that monies sacrificed towards the environment are noble attributes. This implies that a noble person cares for the environment.

Attitudes. Surprisingly, although the respondents said that they were willing to sacrifice their current lifestyle for a comprehensive set of environmental tax laws which are good for them (sig = 0.00), many respondents were not committed to practice specific actions to protect the environment. Such practices included stopping buying a conventional domestic car' (sig. = 0.43), 'purchasing goods with recycled items' (sig = 0.31), buying food items wrapped in recycled paper (sig = 0.94), drinking reprocessed water (sig = 0.76), supporting oil recycling (sig = 0.67), sorting garbage for recycling (sig = 0.53), stopping practising any rituals that destroy the environment (sig = 0.59) and stopping eating sharks' fin (sig = 0.63). The walk must follow the talk. The public knows that it needs to make sacrifices (including paying taxes) for the environment but is not willing to commit to practices that will save the environment. Sadly, the Malaysian taxpayer is not 100 per cent committed to protecting the environment. It can safely be concluded that Malaysian taxpayers need to change their attitudes towards the environment and that Malaysians have yet to reach the level of self-actualisation.

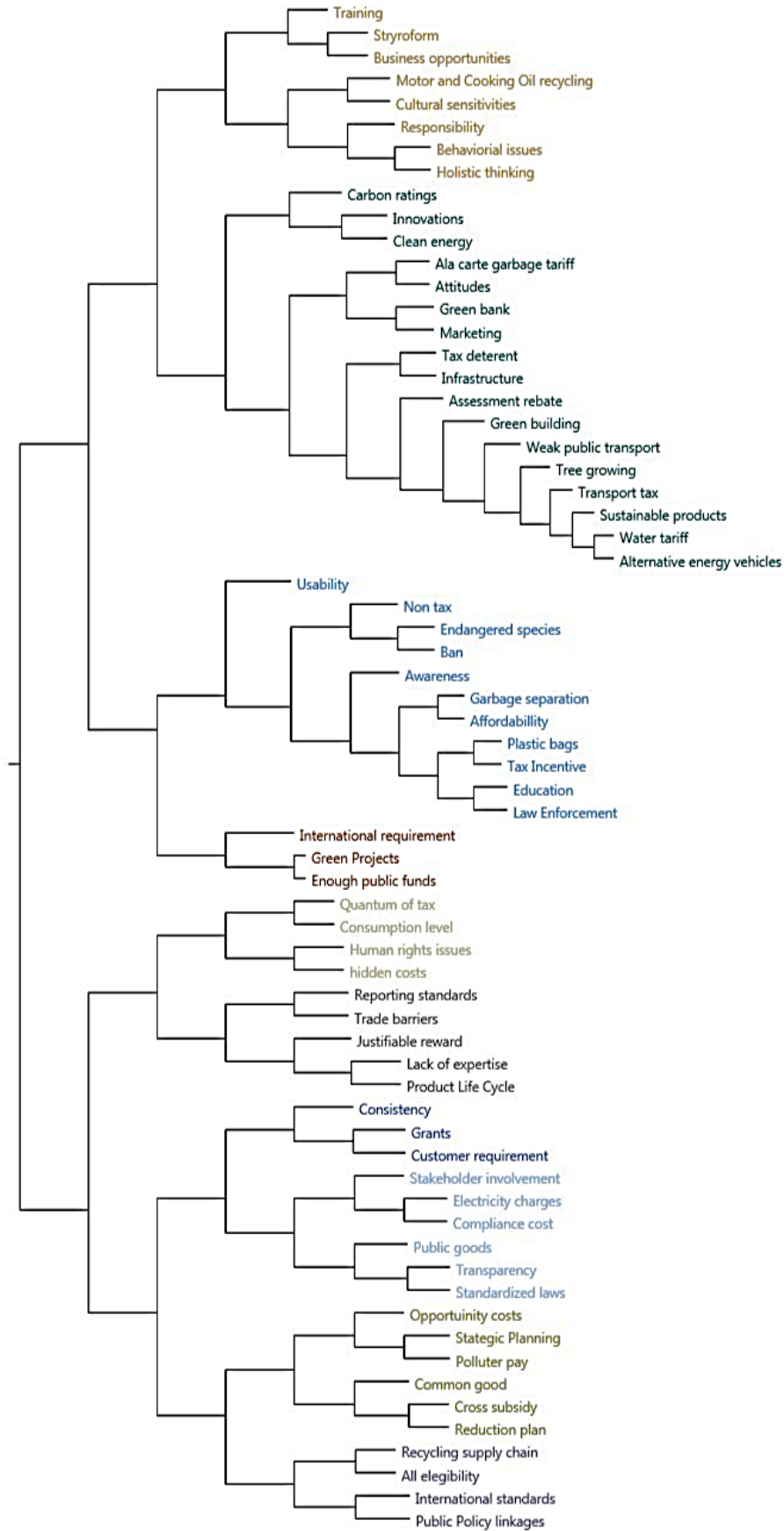


Figure 2: Tree Map - Nodes Clustered by Coding Similarity

Immediate tax incentives. Environmental tax incentives eventually improve one's life (sig. =0.00). It does not matter what kinds of incentives are given by the government as long as there are incentives (biomass tax incentives, sig. = 0.35; hybrid tax incentives, sig.=0.96). This finding clearly implies that immediate tax incentives are a highly important factor in the success of environmental taxation at encouraging good environmental behaviour.

Table 2. Significance Readings for Attributes of the Independent Variables of the Environmental Taxation Acceptance Model

Significant			
Model		t	Sig.
1 Future quality of life	(Constant)	5.37	0.00
	My life will improve if the environment improves.	11.35	0.00
2 Self-actualisation	Clean solar energy is good for me.	1.76	0.08
	I understand that, if I sacrifice a certain behaviour, I will benefit in the future.	3.40	0.00
3 Attitudes	A comprehensive set of environmental tax laws is good for me.	6.34	0.00
	I will take the LRT or any form of public transport when the petrol price increases.	1.88	0.06
	I am willing to sacrifice my current lifestyle for a comprehensive set of environmental tax laws which are good for me.	4.61	0.00
4 Immediate tax incentives	I will support environmental tax incentives as they will improve my life.	8.60	0.00
5 Forced compliance			
6 Tax mitigation	Giving incentives to construct green buildings is a good move.	(1.88)	0.06
a. Dependent Variable: I am willing to support taxes that will stop bad environmental behaviour so that my quality of life will improve.			
Not Significant			
Model		t	Sig.
2 Self-actualisation	Green buildings improve my life.	0.12	0.91
	Sustainable energy through biomass is good for my life.	(0.47)	0.64
	I look forward to a more systematic and comprehensive set of environmental tax laws.	0.20	0.84
3 Attitudes	I will not buy a conventional local car since there is tax relief for the hybrid car.	(0.80)	0.43
	I am willing to purchase good with recycled items.	(1.02)	0.31
	I am willing to purchase food items wrapped in recycled paper.	(0.07)	0.94
	I think drinking reprocessed water like Singapore's NuWater is fine for me.	(0.31)	0.76
	I support motor oil and cooking oil recycling.	0.43	0.67
	I sorted my garbage for recycling	(0.63)	0.53
	I will stop practising any rituals in my culture that destroy the environment.	(0.54)	0.59
4 Immediate tax incentives	It is easy to find bins for recycling	1.65	0.10
	I will not eat shark fin even if it is free.	0.48	0.63
	Tax incentives to encourage producing energy using biomass are a good thing.	(0.94)	0.35
5 Forced compliance	More people buying hybrids means less pollution and is good for me.	0.05	0.96
	Charging some money for plastic bags at all supermarkets and most shops is a good move.	(1.03)	0.30
6 Tax mitigation	I support high taxes on shark fins.	0.37	0.71
	Incentives in the form of lower duties for those who purchase hybrid cars below 2,200 cc is a good thing.	(0.79)	0.43
	Encouraging people to produce solar power and selling it back to the grid is a good move.	0.89	0.38

Forced compliance. Environment tax laws will work if forced upon the public. The statistics showed that the public will comply with the laws of which compliance is demanded. The public do not see significant enough value in of paying for plastic bags (sig. =0.30) and forgoing sharks' fin (sig=0.71) to make them accept the merits of being environmentally friendly. As mentioned earlier by the experts, environmental tax laws must first create inconveniences for the public. The public slowly gets used to such inconveniences of having no plastic bags or shark fin soup and slowly weans itself off the habit. Again, as mentioned earlier, it is implied that Malaysians have yet to reach the level of 'self-actualisation'.

Tax mitigation. Tax authorities must be careful so that tax mitigation could derail their good intentions of environmental taxation. The taxpayer does not care that buying a tax-exempted hybrid is good personally (sig=0.43) or that solar power is good for the environment (sig=0.38). Individuals typically plan their taxes in order to pay less tax. It does not matter whether a tax incentive is good for the individual or not so as long as the tax bill is lower.

6. DISCUSSION

Quality of life.

The idea that the public will be rewarded with a better environment and an improved quality of life when it willingly sacrifices money through environmental taxation must be emphasized. This variable is crucial to any public policy developer. For any form of environmental taxation (or even environmental tax incentives) to work, the public must be made aware of the reward, i.e. improvements to quality of life. The survey questions that assessed whether taxpayers were agreeable to selected taxes were met with between 'neutral' and 'slightly agreeable' answers, while questions about tax incentives received higher support from the public. For example, respondents 'slightly agreed' to a local tax to build parks, as practiced in Penang and Selangor but were neutral towards the suggestion that garbage be collected based on weight as in the United Kingdom.

Some level of transparency is needed regarding the outcome of the tax for which the public has sacrificed. For success, the accounting of tax collection must be made visible to the public. A few experts objected to park entrance fees charged by local governments. To the experts, parks are public goods and should be provided and maintained by the government from existing taxes. If the government wants to charge more for parks, then the public must be made aware of what more they get for paying this tax. The government should help the public see the benefit to the quality of life when garbage is collected based on weight. If the public cannot understand how less garbage in the landfills could affect their lives, then the whole idea of pay-as-you-throw will not work.

Self-actualisation

The regression analysis showed that the taxpayer's ability to sacrifice behaviour, wants and needs for a larger purpose, such as protection of the environment, was significant for the acceptance of environmental taxation. A person who has achieved self-actualisation is ready to discard any behaviour, even those required by culture or society for the better good (in this case, the environment). One respondent made the following statement in an email to the researcher:

My personal belief is environmental issues starts from personal hygiene, respect for each other and caring for society.

Immediate tax incentives.

Whether the Malaysian populace has positive attitudes towards the environment and is willing to change the popular lifestyle to protect it is another question. The survey yielded the surprising result that, although the respondents say they are willing to sacrifice their current lifestyle for a comprehensive set of environmental tax laws which are good for them (sig=0.00), they are not committed to practicing specific actions to protect the environment, such as stopping buying conventional domestic cars (sig. =0.43), purchasing goods with recycled items (sig=0.31) and food items wrapped in recycled paper (sig=0.94), drinking reprocessed water (sig=0.76), supporting oil recycling (sig=0.67), sorting garbage for recycling (sig=0.53), ceasing to practise any cultural rituals that destroy the environment (sig=0.59) and refraining from eating sharks' fin (sig=0.63). None of these actions had a positive beta coefficient. Strangely, the married respondents seemed less inclined than the unmarried respondents to adopt a more eco-friendly lifestyle. Apathy frustrates desires to live a positive lifestyle. The married respondents seem never to have thought that their children will suffer for their practices.

Forced compliance

The researcher paired support for taxes on plastics bags with the need for a comprehensive set of environmental tax laws using regression analysis and found that the model was significant. The forced nuisance of having to pay for plastic bags has resulted in the public not wanting to ask for plastic bags. The public, which was initially uninterested in environmental issues, began to take an interest in ways to improve the environment and to support environmental tax laws.

Tax mitigation

These taxpayers do not care that buying a tax-exempted hybrid is good for them (sig=0.432) or solar power incentives are good (sig=0.375). They aim to pay as little in taxes as possible. Whether the tax incentive is good for such taxpayers does not matter as long as they pay less tax.

7. RECOMMENDATIONS

Recommendations are made firstly based on the environmental taxation acceptance model and then the desires of the research participants. Some recommendations arise from consideration of independent and moderating variables.

Quality of life

The public sacrifices taxes for the general welfare and the reward of an improved quality of life. The public's commitment to sacrifice environmentally unfriendly behaviours is a prerequisite for the success of environmental taxation. The reward of a better environment and improved quality of life for the willing sacrifice of environmental taxation must be emphasized. If the authorities merely ask the public for money without clearly explaining the motives for the tax, then the tax will not work, and the public will simply be forced to comply. In this form of forced compliance, the public accepted the plastic bag fee only after authorities adopted the 'Cleaner Greener Penang' motto and the public could see that the fee reduced usage of plastic bags and consequently rubbish in the landfill. Therefore, the researcher recommends that the authorities highlight the benefits of new environmental taxes to the public before implementing the tax. Some public relations work will yield dividends.

Attitudes

One expert stated that re-education can change culture and attitudes. For example, white wedding dresses are commonplace in China today, but 200 years ago, white was a suitable colour for funerals, red for wedding dresses. Authorities must use taxation as a means to educate the public about an environmentally friendly lifestyle and they should emphasize how the public can benefit from this lifestyle change.

Simply changing the tax laws to encourage positive environmental practices among the populace would not work if the seed of awareness and love of the environment were not planted in young. Most experts agreed that using education to create awareness in the young is a good first step. Environmental taxation is a good way to reinforce good environmental practices, but the most important task is to plant the seed of loving the environment in the young. Education is one area the authorities should explore seriously.

Immediate Tax Incentives

Immediate tax incentives for the public are significant to the acceptance of an environmental tax. Since all humans have self-control problems and want immediate gratification, the public is not willing to accept any tax regime that requires them to wait a long time for rewards (O'Donoghue & Rabin, 2000). For example, businesses participate in the feed-in-tariff project not to be eco-friendly but to earn extra cash. The Federation of Malaysian Manufacturers introduced the feed-in-tariff to allow members to money by producing solar energy. Since human nature is such that people want freebies, it is recommended the tax authorities dangle an immediate carrot to encourage the public to participate in any eco-friendly project. Improving the environment would be the long-term reward.

Forced Compliance

Forcing the public, through environmental taxes, to perform actions that protect the environment causes people to gradually adopt environmentally friendly behaviour. The cases of the plastic bag fee in Penang and the shark fins tax demonstrate this process. Authorities must acknowledge that taxation is a good means to change behaviour but must be exercised with caution. The 'swagger' value of some items and customs could hinder the objectives of authorities.

Tax mitigation

The researcher must caution that a tax or incentive will not work on certain taxpayers who only desire to only pay less tax. Again, although tax mitigation is a significant variable in ensuring the public's acceptance of environmental tax laws, the merits of any given law itself will not be significant to the person seeking a lower tax liability. A tax incentive is good only as it allows for paying less tax. Again, when using taxation to encourage eco-friendliness, authorities must consider tax mitigation as one element that could thwart good intentions.

Amount of tax and the administrative procedures involved

The amount of the environmental tax or incentive could encourage or impede the environmental commitment of the Malaysian populace. An environmental tax must be large enough to regularly inconvenience taxpayer in order to induce a behavioural change. An incentive must be large enough to offset any compliance cost to the taxpayer. The cases of the Green Building Index and the plastic bag fee prove this claim. Some shoppers simply pay the fee which a cost less than the inconvenience. In addition, the government must formulate rules on how to qualify a taxpayer for the tax incentives. The Public Ruling on Green Buildings has not been released to the public even though the incentive was introduced in 2011.

Supporting infrastructure

Environmental taxation is not a fix-it-all solution for environmental problems. The authorities must understand that taxes play a supporting tool in encouraging the adoption of more eco-friendly behaviour. Supporting infrastructure and services must be introduced along with the tax. The current transportation system must be improved before road taxes are increased, petrol subsidies reduced or the purchase of electric vehicles supported. The public must be given an alternative in return for their sacrifice of a certain environmentally unfriendly behaviour. A tax or incentive will temporarily encourage foregoing environmentally unfriendly practices, but the public could soon return to the older way of life.

Governance Issues

Governance has become synonymous with public policy. There must be accountability when implementing any environmental taxation initiative. The government must be transparent about how incentives are awarded and taxes allocated for the good of the public. Many experts did not know what the criteria were for the successful in the feed-in-tariff scheme or how the plastic bag tax was went to the poor under the *Rakan Kemiskinan* (Friends of the Poor) poverty eradication scheme in Penang. London, on the other hand, was very transparent about how monies collected from a congestion tax were channelled towards the building of better public transport in the city.

Explore Green Technologies

Research is the best way to improve knowledge; therefore, the government has given considerable attention to research in the Economic Transformation Plan. Incentives for green research are a proactive measure to tackle environmental problems.

Promotion of Investments Act

The List of Promoted Activities & Products for Selected Industries Which Are Eligible for Consideration of Pioneer Status and Investment Tax Allowance under the Promotion of Investment Act 1986 should include household waste recycling. The utilisation of oil palm biomass to produce value-added products, the generation of renewable energy and energy conservation are considered promoted activities.

Use tax incentives to make their methods of production more eco-friendly

Malaysia is the first ASEAN nation to offer green building incentives for developers. Developers should use the opportunity to design buildings that satisfy not only the authorities but more importantly, their customers who require 'greener' buildings

Develop green technologies and products even independently of government support

The qualitative study found that companies go green not because of the tax incentives but because of customer demand for greener and more sustainable products. Good industrialists should take care of the needs of the customer first and not wait for the government to intervene. Unfortunately, only companies that export to the United States were interested in complying with the American Clean Energy and Security Act of 2009. Companies should be pro-active and not wait for the government to enforce laws and taxes. At the end of the day, the customer is king. The ordinary citizen should view positively environmental taxation (and incentives). Any sacrifice on their part to the environment will be returned to them in the form of a better quality of life. Any attempt to destroy the environment will result in their harm.

8. LIFE OF PI THEOREM

The researcher would like to propose the Life of Pi Theorem, which inspired by lines in Yann Martell's novel *The Life of Pi*, the writings of Pigou (1932) and of Brown and Frame (2005) and the findings that supported the environmental taxation acceptance model discussed earlier.

Martell's book presents two different stories the protagonist Pi tells a group of Japanese investigators about the sinking of a ship that killed his whole family. One account was a tall tale, and the other was the real event. To Pi, there was no happy ending in either version of the story. His family still perishes in the end. The only thing Pi could do is atone.

'In both stories the ship sinks, my entire family dies, and I suffer.'
'Yes, that's true.' (Martel, 2002, p. 312)

Similarly, environmental taxation (or any other eco-friendly policy) will never restore nature to its original glory. Qian and Chan (2010) proposed that, if humanity is noble, they will want to protect the environment as they want to maintain their quality of life. Humans will never want their surroundings to be unliveable. To the

researcher, however, humans are extremely weak. Sometimes, they will sin against nature and destroy it. Environmental taxation (and other eco-friendly policies and acts) are how humanity atones for their sins against nature. The concept of atonement is described in the Old Testament book of Leviticus 5:18: *'And the priest shall make atonement for him on account of his ignorance'*. 'Atonement' is a translation from the Hebrew word for 'covering' sins or 'forgiving' sins.

Environmental taxation will prevent humans from further destroying nature but will not return to her original glory. Pigou's 1932 classic *The Economics of Welfare* suggests correct inequalities levying charges on a market activity that generates negative externalities. In the presence of negative externalities, the social cost of a market activity is not covered by the private cost of the activity. Today, such measures are called Pigouvian tax. Pigou (1932) worked from the economic perspective that assumes that humanity is rational. In reality, humans are not rational but influenced by their culture, religion and surroundings. Pigouvian environmental taxes are levied on taxpayers to correct the destruction caused by their activities that generate negative externalities for the environment.

Pigou cites the example of a justifiable tax on alcoholic products which introduce externalities into society. The tax can be used to remedy any social injustices (e.g., building free playgrounds) stemming from the sales of alcohol. From a philosophical view, the free playground is atonement for the injustices created by alcohol. People whose lives were damaged by alcohol will never be restored to the original state; however, the playgrounds are a symbol of atonement from users and producers of alcohol.

Similarly, a Pigouvian tax will never remedy any destruction to nature but is a means for the taxpayer to atone for the negative externalities inflicted on nature. One expert suggested using real property gains taxes to prevent further environmental destruction due to property development. Any property development will certainly affect nature; the only question is by how much. This tax would remind the developer to be mindful of the environment.

9. CONCLUSION

As evidenced from the qualitative and quantitative analysis and the literature and legal review, human behavioural (quality of life, self-actualisation, attitudes) and legal factors (immediate tax incentives, forced compliance, tax mitigation) are the underlying factors of the acceptance of environmental taxation by the Malaysian taxpayer. The impeding factors in the theoretical framework that might change the outcome of acceptance of environmental taxation include amount of tax and its administration, current subsidy structure, culture, supporting infrastructure, public goods and governance issues.

The survival of humankind depends on its relationship with the environment. Environmental taxation is a merely a supporting tool that encourages humans to be more environmentally friendly. Ensuring a better quality of life in the future requires every taxpayer to sacrifice any aspect of personal behaviour that is not eco-friendly. Environmental taxes give a push, but the ordinary citizen needs to take action to ensure the survival of future generations.

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