



14th ATAIC Technical Conference

Developments in the Tax System and Moving Towards a Desirable Tax System: The Malaysian Perspective

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“What is a Desirable Tax System?”

- To raise taxes and generate the revenue
- Taxation provides governments with funds
- It offers a great source of dependence to developing countries and provides fiscal reliance and sustainability
- A tax system design is also closely linked to domestic and international investments decisions

Malaysia Towards Developed Country

- Malaysia is aspiring to become a fully developed country (high income) by 2020.
- By the year 2020, Malaysia aims to be;
 - ✓ a united nation
 - ✓ a confident Malaysian society
 - ✓ infused by strong moral and ethical values
 - ✓ living in a society that is democratic
 - ✓ liberal and tolerant, caring
 - ✓ economically just and equitable
 - ✓ progressive and prosperous
 - ✓ in full possession of an economy that is competitive, dynamic, robust and resilient
- “Economic Transformation Program” (ETP) has revised vision 2020 to National Transformation 2050: “Transformasi Nasional 2050” (TN50)

Diagnostic Analysis by Tax Administration Diagnostic Assessment Tools (TADAT)

- Malaysia was assessed on its performance outcomes by the TADAT mission team in 2015
- IRBM referred the TADAT results for the determination of the strategic objectives and to achieve the specific outcomes
- IRBM has made major progress under the strategic guidance of committed management team in developing and implementing modern tax administration practices
- IRBM constantly innovate and implement tax administration strategies to become a “World Class Tax Administrator”

Corporate Strategy Plan

- The vision of IRBM
 - ✓ To become the leading tax administrator to contribute for the nation's development
 - ✓ Transformed into the corporate strategy plan which acts as the road map of IRBM to achieve its strategic objectives
- IRBM has four strategic pillars to achieve its strategic objectives namely:
 - ✓ Pillar 1 - To become the main contributor towards Nation's prosperity and citizen's well-being
 - ✓ Pillar 2 - To become the citizen's entrusted tax administrator
 - ✓ Pillar 3 - To have effective and efficient system and procedures
 - ✓ Pillar 4 - To become the preferred employer

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1. What are the existing strategies of IRBM in achieving the desirable tax system?
2. What are the shortcomings / challenges and areas to be improved?

Existing Strategies in IRBM

1. STD as Final Tax
2. e-filing
3. Information Collecting Program (ICP)
4. Business Census Visit
5. Taxpayer Education
6. Enforcement of Desk and Field Audit
7. Collection of Information Arrangement (CIA)
8. *Kunjungan Mesra Hasil (KMH)*
9. *Operasi Gegar Bersepadu (OGB)*
10. *Operasi Kutip* (Special Collection Operation)
11. Segmentation of Taxpayer
12. DMAS (Debt Management Analytic System)
13. HRCC-Hasil Recovery Call Centre

STD as Final Tax

- IRBM introduced Scheduler Tax Deduction (STD) as a final tax in 2014 on individual who has a single source salary
- In such conditions, the STD will be deemed as a tax due for that assessment year
- Limitations constraints of resources in terms of monetary and auditors

e-filing

- e-filing was a pioneer initiative introduced in 2004
- e-filing is made mandatory for corporations effective 2014
- To encourage e-filing among non-C taxpayers, an extension of 15 days from the due date is given for submission
- IRBM has developed and introduced various electronic services and online applications such as m-filing, ByrHasil, e-lejer, e-PCB, e-Daftar, e-SPC and STAMPS

Business Census Visit “*Lawatan Banci Bisnes*”

- IRBM conducts special visits to selected business locations to discover unregistered/underground business activities for registering new taxpayers/businesses to broaden the tax base
- To inform taxpayers of their tax obligations
- The challenge is limited resources such as monetary and staffing to increase the number of visit to enhance compliance

Taxpayer Education

- IRBM provides comprehensive and targeted group tax payer education programs at school, universities, external agencies and public as an outreach and engagement program to create awareness of tax obligations
- Limitations on resources both monetary and staffing which become a challenge to carry out such programs on a regular and larger scale

Collection of Information Arrangement (CIA)

- This is a networking between government agencies e.g., Companies Commission Malaysia and Customs Department GST Division with regard to information sharing
- Matching of information is a challenge in CIA because of the difference in format as well as parameters
- Information shared in a common format such as XBRL is expected to solve the problem

Kunjungan Mesra Hasil (KMH)

- Special operations involving visits to taxpayers' premises with the intention to enhance tax collection and to broaden the tax base
- This activity involves delivery of Final Notices, Tax Arrears Letters and Undelivered Return Forms
- Constraints in number of staffs to be deployed for this special operation

DMAS (Debt Management Analytic System)

- DMAS - to identify the risk of non-payment to facilitate early collection and to prevent current taxes from becoming arrears
- Helps to analyse past behaviour patterns of taxpayers to assess future behaviour to maximize the likelihood of collecting outstanding tax
- To recommend the Next Best Action (NBA) to facilitate collection action by branches
- Limitation – to enable the system to provide the NBA, all information and actions must be updated into the system

HRCC - Hasil Recovery Call Centre

- HRCC is the outbound call centre - calls are made to potential taxpayers who are expected to make payment based on data extracted by DMAS
- Reminders to taxpayers of their tax liabilities due dates by blasting e-mails
- Limitation
 - ✓ to ensure the effectiveness, taxpayer must provide latest contact number
 - ✓ non-cooperation from taxpayers who ignore or reluctant answer calls

Suggestions and Recommendations

Initiative 1: Big Data and Advanced Data Analytics

- The development of “Big Data and Advanced Data Analytics” is under progress
- Implementation) of Big Data and Advanced Data Analytics application in the middle of 2018
 - ✓ to optimize effective data management and data usage - the optimum tax collection
 - ✓ to integrate all systems - data warehouse

Suggestions and Recommendations (Cont'd)

Initiative 2: The Tax Gap Research

- The size of tax gap is important
 - ✓ To initiate action plans to ensure the optimum amount of tax is collected
 - ✓ To identify the rate of non-compliance according to categories of taxpayers
 - ✓ To be used as a performance measurement of IRBM
 - ✓ Increase IRBM's capability to identify the non-compliant taxpayers and to broaden the tax base
 - ✓ To foster public trust in the fairness of the tax system
 - ✓ To make non-compliant taxpayers pay their fair share of tax
- Ultimately, enhance tax collection

Suggestions and Recommendations (Cont'd)

Initiative 3: Enhance Voluntary Compliance

- IRBM must continuously innovate strategies to make compliance easy for taxpayers
- Provide the highest quality of service and support to encourage taxpayers comply voluntarily with their obligations
- Reforms such as Scheduler Tax Deduction (PCB), e-filing, Self-Assessment System (STS) and Final Tax are implemented to enhance voluntary compliance
- Voluntary compliance will reduce cost of enforcement activities such as audits and investigation

The Way Forward

- Creating fairness and effectiveness in the tax system as outlined in IRBM's mission
- Taxpayer's satisfaction is the pillar in service management - continuously strengthened to improve voluntary compliance
- Operational excellence in terms of cost efficiency; and
- Maintaining a sustainable institution

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IRBM's Road Map



Conclusion

- The goal of IRBM is to collect tax payable in accordance with the law and to do this in such a manner that will sustain confidence in the tax system and its administration
- A tax administration should have in place strategies and structures to ensure the desired tax system
- Improvements to existing tax system in identifying new ways to attain the required standards and effectiveness are essential to achieve desired tax administration
- To realize its dream to become a leading tax administrator



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