

The taxman giveth

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KUALA LUMPUR: It was good news for more than half a million taxpayers last year.

Some 550,000 taxpayers got their refund of excess taxes and this was done within a month for e-filers and three months for those who filed manually.

If you were one of them, you can thank the "tax lady", Datuk Hasmah Abdullah, the chief executive officer and director-general of the Inland Revenue Board.

Before Hasmah took charge in October 2006, 183,731 taxpayers were given refunds and only because they made a claim for it.

The policy then was refunds were paid only until all assessments and additional assessments had been brought up to date.

"I decided that we should refund excess tax paid based on the current assessment year without referring to previous years' tax or outstanding taxes.

"And this was to be done automatically without the taxpayer having to write in.

"Any outstanding and additional assessments would be finalised later and the tax collected separately."

There is also good news for those who have been retrenched or have opted for the voluntary separation scheme.

"The RM6,000 tax relief per complete year of service has now been increased to RM10,000.

"If you have worked for five years and are retrenched and paid a lump sum of RM100,000, you are given a tax exemption of RM50,000."

Last year, 1.2 million people used e-filing. This is almost half of the 2.5 million taxpayers in the country. As of April 16 this year, 400,000 taxpayers have e-filed their returns.

Hasmah said when it was introduced in 2006, 187,000 taxpayers responded. It was a tremendous 369 per cent increase in 2007 with 876,000 e-filers.

"E-filing is in line with current technology as more people are now technology savvy.

"It is not necessary to make e-filing compulsory as not everyone is computer savvy. I think it is a matter of time before manual filing phases itself out."

Hasmah said the e-filing system was fast and it even does the calculation for you.

For manual filing, the forms

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Datuk Hasmah Abdullah
Inland Revenue Board chief executive officer and director-general



Hasmah said they also found that most taxpayers who came to IRB offices to e-file brought disorganised documents

"They hog the computers for a long time and others cannot use them.

"Now, we check to see if their documents are organised before we let them use the computers."

Another problem, said Hasmah, was that many taxpayers forget their password since they only use it once a year.

Those who forget their passwords can call 1300-88-3010 or the nearest tax office to reset their passwords.

How secure is e-filing?

"Our site is secure. Data transmissions are encrypted and then decrypted. If we feel there is something malicious trying to hack into our site, the Manpower Planning Unit will come to our rescue."

However, a taxpayer who uses his personal computer from home has to ensure that his anti-virus software is up-to-date as IRB cannot vouch for the security of the information in another computer.

"You can come and e-file at our offices if you are afraid of the security of your information."

Hasmah said 20 to 25 per cent of taxpayers every year were either late filers or non-compliant.

This, she said, was the figure in most developing countries.

"The compliance rate in developed countries is higher as all the taxes are deducted at the source itself. This would streamline the deductions and the taxpayer would not have to file in his returns at all.

"The taxpayer would need to file in to claim his refunds. We want to move into that system."

On the difference between a tax rebate and a tax deduction, Hasmah said: "A rebate is the amount you deduct from the tax charged.

"After calculating the tax charged, the rebate is then deducted. For example, zakat fitrah is a rebate against tax charged.

"A tax deduction or a tax relief where you reduce the taxable income, that is, you deduct the amount from the income before taxing it.

"Up to 2007, the purchase of a computer was considered a rebate you could claim once in five years. Now it is a tax deduction of RM3,000 once in three years.

"This means you deduct RM3,000 from the income and therefore reduce the income that is taxed."

From last year, you are tax exempted up to RM2,400 for a travel

have to be scanned and the computations calculated to see if they were accurate.

"After the information is keyed into our system, we have internal and external query controls to make sure there are no hitches.

"Sometimes, the system cannot read the writing on the forms. For instance, the number seven and the letter 'T' sometimes look alike.

"Because of the process and the large number involved, those who file manually will only get their re-

funds within three months.

"Sometimes, it takes longer if there are doubts about a claim. We will ask the taxpayer for further documentation to substantiate his claim.

"For example, taxpayers who pursue further education can deduct up to RM5,000 from their taxable income. But we found there have been those who have used this sum to claim for their children's education.

"That is wrong. The child's education comes under child relief. The system picks this up, whether it's manual or e-filing."

What are the problems faced with e-filing?

"When we started it, the system could not handle the surge in e-filers, especially during the last three days of the deadline to file.

"We have addressed this problem by placing extra servers and increasing our power lines."

From last year, you are tax exempted up to RM2,400 for a travelling allowance from your home to the office.

"However, if the employer provides a travelling allowance for official purposes, then there is a tax exemption of up to RM6,000 a year.

"The employer would have to clearly state whether the allowance is for travelling from the home to the office or for official purposes to determine which figure would apply."