



26 JUL, 2021

Taxes contribute to wellbeing of the people

New Straits Times, Malaysia

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TAXES are an important component of the administration of the country and the economy. Tax revenue is used by the government to administer, manage and cover the expenditure of developing the country.

The Inland Revenue Board (IRB), as the government agency responsible for collecting taxes, annually conducts various campaigns and reminders to taxpayers to fulfill their responsibility to submit Return Forms either manually or online through e-Filing, and pay their taxes through ByrHASiL.

However, there are still many who do not understand and are reluctant to pay their taxes. The development

of any country, including Malaysia, is largely funded by tax revenue.

In Malaysia, there are two types of taxes, namely direct taxes and indirect taxes that are handled by different agencies, apart from taxes handled by the local municipal councils such as quit rent and assessment rate.

The role of the two main government agencies, namely the IRB, is to collect direct taxes while the Customs Department collects indirect taxes.

Direct taxes are the highest contributor at more than 40 per cent of total government revenue. This direct tax revenue consists of revenue collection from corporate income tax (CITA), individual income tax and

subsequently petroleum income tax (PITA).

If individuals comply in paying their taxes, the country can avoid going bankrupt as a result of the debt burden from the World Bank, International Monetary Fund or the governments of other countries.

The government is responsible for providing the best environment and infrastructure for the wellbeing of its people. This is done by providing all forms of public facilities and infrastructure such as roads, electricity, water, public transport, schools, hospitals and clinics, market facilities, mosques, police stations and parks.

Every year from 2014 to 2021, the

national budget has continued to increase and 40 per cent of this budget is covered by direct taxes collected by the IRB. Therefore, tax revenue collection should also increase.

The Finance Ministry and IRB are working together to find new sources of tax to meet this need.

During the Covid-19 pandemic, the government needs to spend more to help those affected by the pandemic, especially those in the B40 and M40 categories.

The individual tax rate in Malaysia it is still low at 30 per cent compared with other countries in the world. Among other Asean countries, only Singapore is lower at 22 per cent while Vietnam, the Philippines and Thailand are at 35 per cent.

The tax rate in developed countries exceeds 40 per cent such as the United Kingdom (45 per cent), Sweden (52.85 per cent), Luxembourg (45.78 per cent), and the Netherlands (49 per cent).

This high tax rate ensures that the governments can cover the cost of

development and allows the people to live a comfortable life and have a higher standard of living.

In Malaysia, an individual is eligible to file taxes if he or she earns an annual net income (after Employees Provident Fund deduction) in excess of RM34,000.

However, an individual can claim 22 types of eligible deductions such as personal relief, spouse, children and others. Tax will be levied if the balance of income after deducting all eligible reliefs is more than RM34,000.

In 2021, total loans will reach 26.5 per cent (RM85 billion) of government financial resources. If individuals pay their taxes, we can prevent the country from going bankrupt as a result of this debt burden.

Individual taxpayers need to have a sense of responsibility and emphasise the concept of contributing for the benefit of all, instilling awareness and working with the government to develop the country for the wellbeing of everyone.





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SUMMARIES

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TOTAL ALLOCATION OF MALAYSIA'S BUDGET