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According to the 2022 Budget, income tax collection is the highest national financial source at 35.7 per cent compared with other sources, such as indirect taxes, other direct taxes, non-tax revenue as well as loans and consumption of government assets.

It is this financial resource that the government uses for development and managing the country.

#### SHARING THE SUSTENANCE

If business owners carry out their responsibility as taxpayers, more taxes can be collected and used for the benefit of Malaysians.

Taxpayers' contributions have helped ease the financial burden of others.

When the country was tested with the Covid-19 pandemic, revenue from income tax enabled the government to set up special facilities to treat patients.

Not only that, this tax collection also helped the less fortunate when many companies and small businesses have had to close down. The government's assistance included Bantuan Khas Covid-19 and

# Income tax for the young generation

the Prihatin Special Grant.

## SOCIAL MEDIA INFLUENCERS ARE ALSO TAXABLE

Income tax for individuals with businesses is not only imposed on permanent or part-time businesses, whether conventional or online, but professions such as doctors, lawyers and accountants who own clinics or firms are also taxed.

Social media influencers are also taxable as an individual with business income. An influencer on social media is not something new as many of the younger generation are involved in this field and can earn up to five figures a month.

Based on a study by the Malaysian Communications and Multimedia Commission (MCMC) in 2020, almost 90 per cent of Malaysians own a smartphone and have access to the Internet.

This has allowed many businesses to promote their products online, especially through collaborations with companies and social media influencers to advertise products.

Influencers who have many followers usually receive payments for these types of advertising. This income is taxable and they will need to register with HASIL as a taxpayer. Individuals with business

incomes are automatically eligible to pay taxes regardless of the amount they earn.

Those who do not have an income tax number can register online through the e-Daftar application at <https://edaftar.hasil.gov.my/> and select the Online Registration Form. Income tax numbers can be obtained within three working days of the application.

They must declare the business income for 2021 in the B Form at <https://mytax.hasil.gov.my/> using e-Filing and pay the income tax through ByrHASIL from March 1 to June 30.

As an e-Filing user, additional time is given until July 15 to declare and pay income tax.

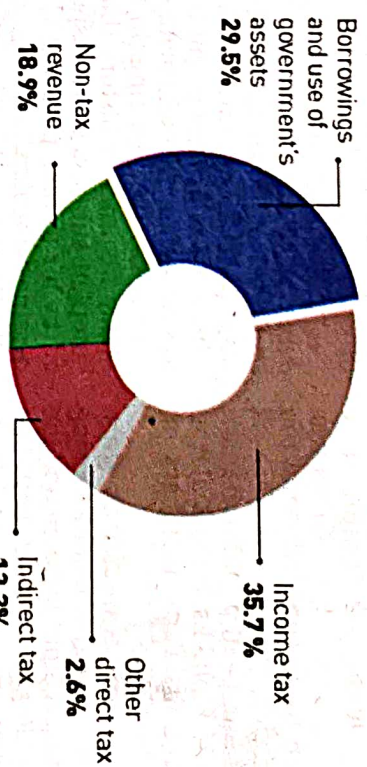
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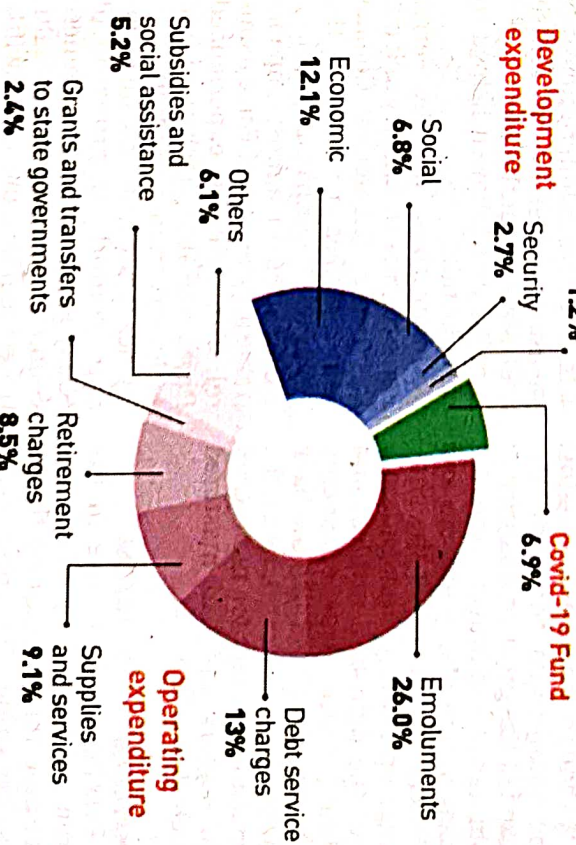
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## 2022 GOVERNMENT BUDGET

WHERE IT COMES FROM: RM332,110 MILLION



### WHERE IT GOES:



1. Consists of revenue and borrowings
  2. Excludes contingency reserves
  3. Covid-19 Fund under the Temporary Measures for Government Financing (Covid-19 Act 2020)
- Source: Finance Ministry



## UNINTENDED CONSEQUENCES

## Govt should rethink food security measures

**T**HE announcement on food security policy deserves a revisit to ensure a net benefit between short-term expected outcome and long-term unintended consequences.

Among the strategies are adjusting the price ceiling of food, tasking government-linked companies with driving the supply chain and using idle land. But these strategies need rethinking as the long-term losses may outweigh short-term benefit.

First, moving the ceiling price does benefit producers and consumers as stable prices are assured in the short term. However, stable price does not bring growth and innovation in the long term, as there would be little incentive for producers and traders to innovate and create new products or services.

A competitive market with price variations makes market participants innovate to survive and invest to improve efficiency and productivity.



**FATIMAH MOHAMED ARSHAD**

The latter will increase capital formation on farms, which has been static for years. Note that 90 per cent of padi farmers and a high percentage of vegetable growers are in the bottom 40 per cent of earners. This is largely due to low price, high production cost and hence, small margins. Increase in price provide an opportunity for farmers to explore ways to optimise input use and to get out of the rut of low prices for years. Note that low food prices hurt poor farmers because any benefit from lower prices is outweighed by a decline in income.

Experiences from the padi in-

dustry prove the above points. After years of import monopoly and price controls, the industry shows little growth.

Price controls result in fixed margins, hence restricting the ability of farmers and millers to reinvest to improve efficiency and productivity. Padi farmers remain poor while traders resorted to mixing poor and good quality rice for additional profit.

After more than five decades of protection, there is little growth in the downstream sector with the exception of the production of *mee hoon* and rice flour.

Similarly, market centres are numerous, such as hyper and super markets, small retailers, online businesses, and night markets in rural and urban areas.

Domestic food deficit can be compensated through imports as long as consumers have the purchasing power. However, it does not solve the problem of below-optimal production.

Generally, consumers will adjust expenditure, dietary habits

and lifestyle when inflation hits. However, the government must support the poor through cash aid and food coupons.

Second, the government has long campaigned against middlemen. Under the new policy, the government intends to involve GLCs in the supply chain of agriculture as intermediaries as well as logistic providers. Since GLC are government investment arms, the government is the new middleman.

Experience has shown that government involvement in business is rarely efficient and laden with mismanagement, for instance, Lembaga Padi Beras Negara, FGV and Tabung Haji.

GLCs may exert their market power and create a high entry barrier to new entrants.

A monopolistic and oligopolistic market structure is not equitable and competitive, and incurs a high fiscal burden on the government. The involvement of government in the supply chain is crowding the market at the ex-

pense of dynamism, equity, growth and innovation.

Instead, encourage cooperatives to be involved in supply chain activities for the benefit of their members, following the Taiwanese or Korean models. Farmers' cooperatives in these countries sell their produce through their own hypermarkets, whereas our cooperatives are struggling with production and marketing problems.

Other alternatives include direct selling by farmers through night markets, online, production and marketing contracts.

Third, idle land. A rental land market can be created to ease transaction between owner and tenant. This has been implemented in countries such as China.

**fatima@upm.edu.my**

The writer is a senior fellow at the Institute for Democracy and Economic Affairs (IDEAS) and fellow at the Laboratory of Agricultural and Food Policy Studies, Universiti Putra Malaysia

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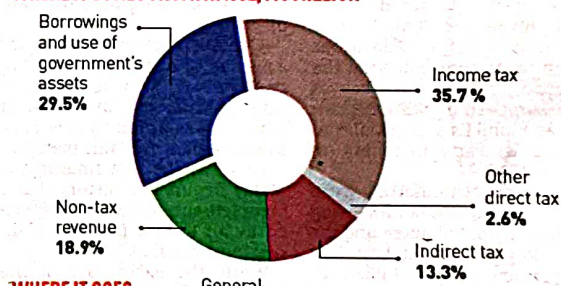
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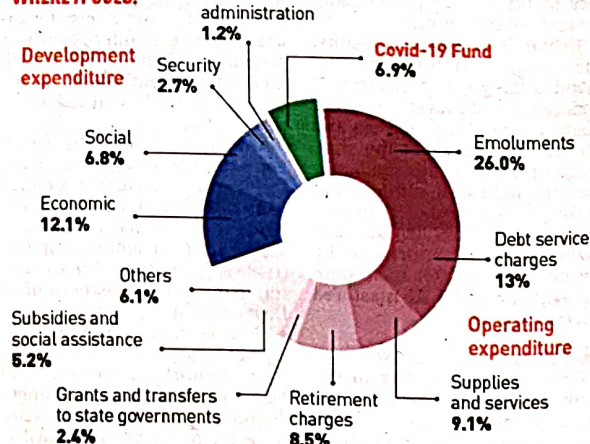
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