



**EY**



# **EY YOUNG TAX PROFESSIONAL OF THE YEAR (EY YTPY) 2022**

**THE NEW ERA OF TAX**

# AGENCIES RESPONSIBLE FOR MANAGEMENT OF TAX IN MALAYSIA



**INLAND REVENUE BOARD OF MALAYSIA**

Direct Taxes



**JABATAN KASTAM DI RAJA MALAYSIA**

Indirect Taxes

# IRBM's Profile



## Government Agency

One of the main **revenue collecting** agencies of Ministry of Finance (MOF).

## Inland Revenue Boards of Malaysia Act 1995

Established in accordance with the act to give it more **autonomy** especially in financial and personnel management as well as to improve the quality and effectiveness of tax administration.

## Administration of Direct Tax in Malaysia



**Income Tax Act 1967**



**Petroleum (Income Tax) 1967**



**Real Property Gains Act 1976**



**Promotion of Investment Act 1986**



**Stamp Act 1949**



**Labuan Business Activity Act 1990**

01

02

03

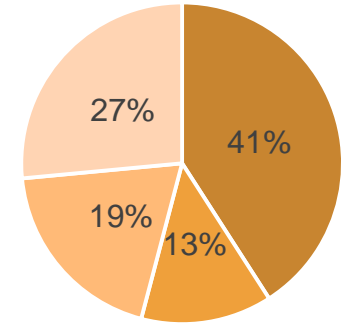
# Malaysia Source of Funds

For the year of 2019 – 2021

YEAR	Total Funds (Billion)	Direct Tax (%)	Indirect Tax (%)	Non-Tax Revenue (%)	Borrowings (%)
2019	314.550	42.9	13.1	27.2	16.8
2020	297.020	48	15.9	18.4	17.7
2021	322.540	40.9	13.2	19.4	26.5

**Taxes – more than 50% of total sources**

2021



- Direct Taxes
- Indirect Taxes
- Non-Tax Revenue
- Borrowings

EXPENDITURE

**RM332.1  
BILLION**  
(20.3% to GDP)

**1 OPERATING EXPENDITURE  
RM233.5 BILLION**

Emoluments	RM86.5 billion	(37%)
Retirement charges	RM28.1 billion	(12%)
Debt service charges	RM43.1 billion	(18.5%)
Supplies & services	RM30.4 billion	(13%)
Subsidies & social assistance	RM17.4 billion	(7%)

**2 DEVELOPMENT EXPENDITURE  
RM75.6 BILLION**

Economic	RM40.2 billion	(53.2%)
Social	RM22.7 billion	(30%)
Safety	RM9.0 billion	(11.9%)
General administration	RM3.8 billion	(4.9%)

**3 COVID-19 FUND  
RM23 BILLION**

# How Tax Revenue Used



**Education**



**Healthcare**



**Social Welfare**



**Infrastructure & Public Facilities**



**Agriculture & Industrial**



**Development**



**National Security & Defence**



**Subsidy**



**Aid during Covid-19 Pandemic**



# How Tax Revenue Used



## 12.6 million to benefit from BKM

RM1.74bil allocated for Phase 2 of cash aid initiative, says Zafrul

**KUALA LUMPUR:** A total of 12.6 million individuals or 60% of the country's adult population will benefit from the RM1.74bil allocated under Phase 2 of the Bantuan Keluarga Malaysia (BKM) scheme, says the Finance Minister.

Tengku Datuk Seri Zafrul Tengku Abdul Aziz said the beneficiaries comprised four million households, 1.2 million single senior citizens and 3.4 million single people.

He said eligible recipients had started receiving the payment in stages from yesterday.

To date, a total of 8.6 million BKM recipients have had their applications approved, with each household expected to receive up to RM2,600 per family this year.

"BKM is a direct cash aid initiative which was announced during Budget 2022.

"It is to assist those in need to help them recover in the post-pandemic period and to ease the burden of the high cost of living.

"Phase 2 of BKM has been improved with additional cash aid worth RM630mil, with the cumula-

tive allocation now coming to RM8bil, the highest in history.

"BKM is the highest direct cash aid in the country's history compared to 1Malaysia People's Aid (BR1M) and Bantuan Sara Hidup (BSH) programmes," he said.

He said the maximum BKM rate was RM2,600, compared to BR1M's RM1,200 and BSH (RM1,480).

He added that this was a 120% increase since the cash aid initiative was introduced, saying that there were 8.6 million BKM recipients and 4.5 million BSH recipients.

"This increase is because the eligibility limit to receive BKM has been increased from those with an income of less than RM4,000 per month for BSH to less than RM5,000 for BKM," he said in a statement.

Eligible recipients can check their payment status at <https://bkm.hasil.gov.my>

The Finance Ministry would continue to monitor external factors that could have a negative impact on the domestic economic situation to ensure the cost of living was controlled, Tengku Zafrul added.

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***"BKM is the highest direct cash aid in the country's history."***

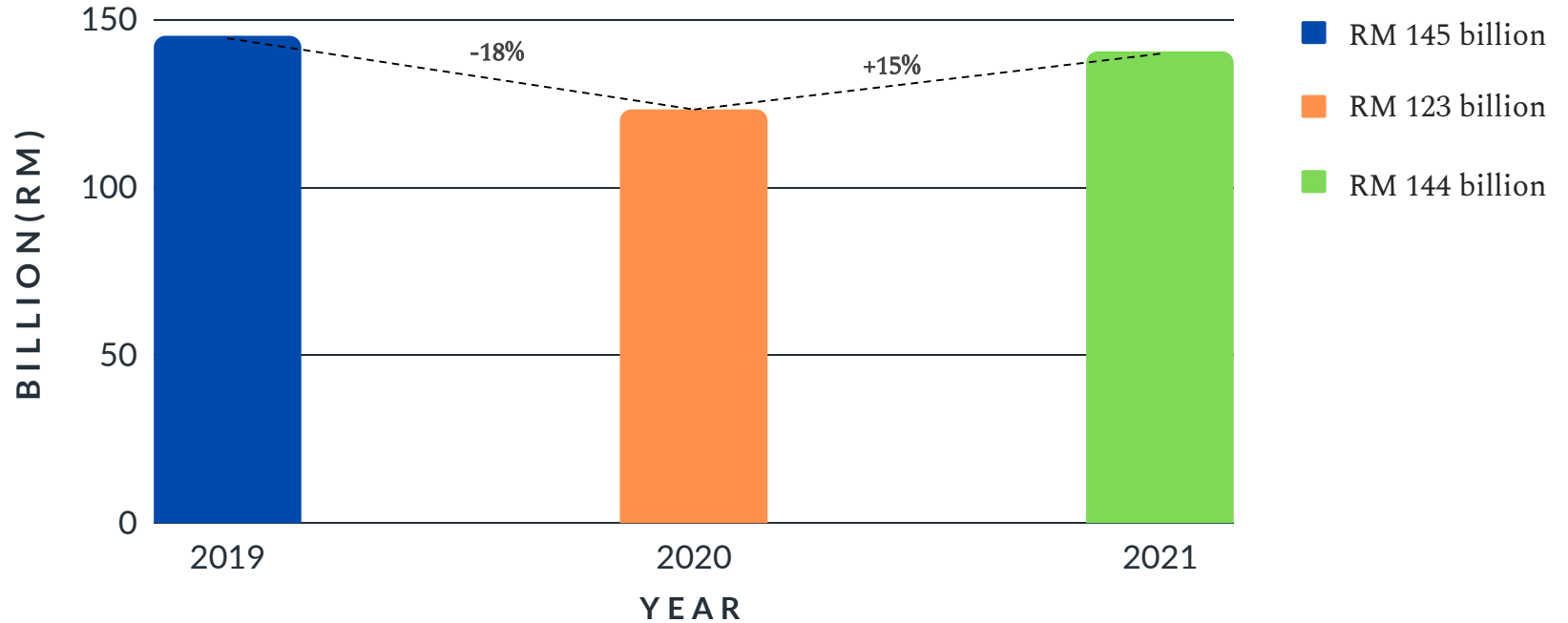
Tengku Datuk Seri Zafrul Tengku Abdul Aziz

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**The Star, 28 June 2022**

# IRBM's Collection

2019-2021

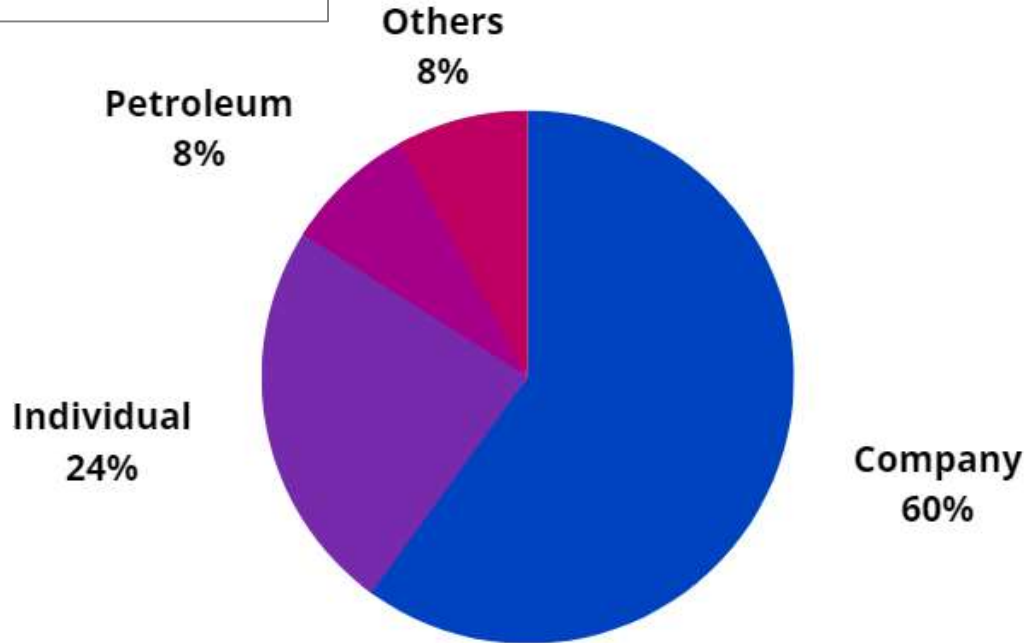


Source: Inland Revenue Boards of Malaysia



# Breakdown of Tax Collection Revenue 2021

RM 144.109 billion



## Company

Imposed on income accruing in or derived from Malaysia.

## Individual

Business income, employment income, interest, royalties, rent, etc.

## Petroleum

Income of chargeable person derived from petroleum operations.

## Others

Withholding tax, stamp duty, RGPT, Labuan, Co-op, etc.

# Malaysia Direct Tax-to-Gross Domestic Product (GDP) Ratio

YEAR	DIRECT TAX (Billion)	INDIRECT TAX (Billion)	TOTAL TAX (Billion)	GDP (Billion)	TOTAL TAX/GDP (%)
2019	145.110	41.206	186.316	1,423.95	13.08
2020	123.092	47.226	170.318	1,345.14 <sup>e</sup>	12.66
2021	144.109	42.575	186.684	1,386.74 <sup>P</sup>	13.46

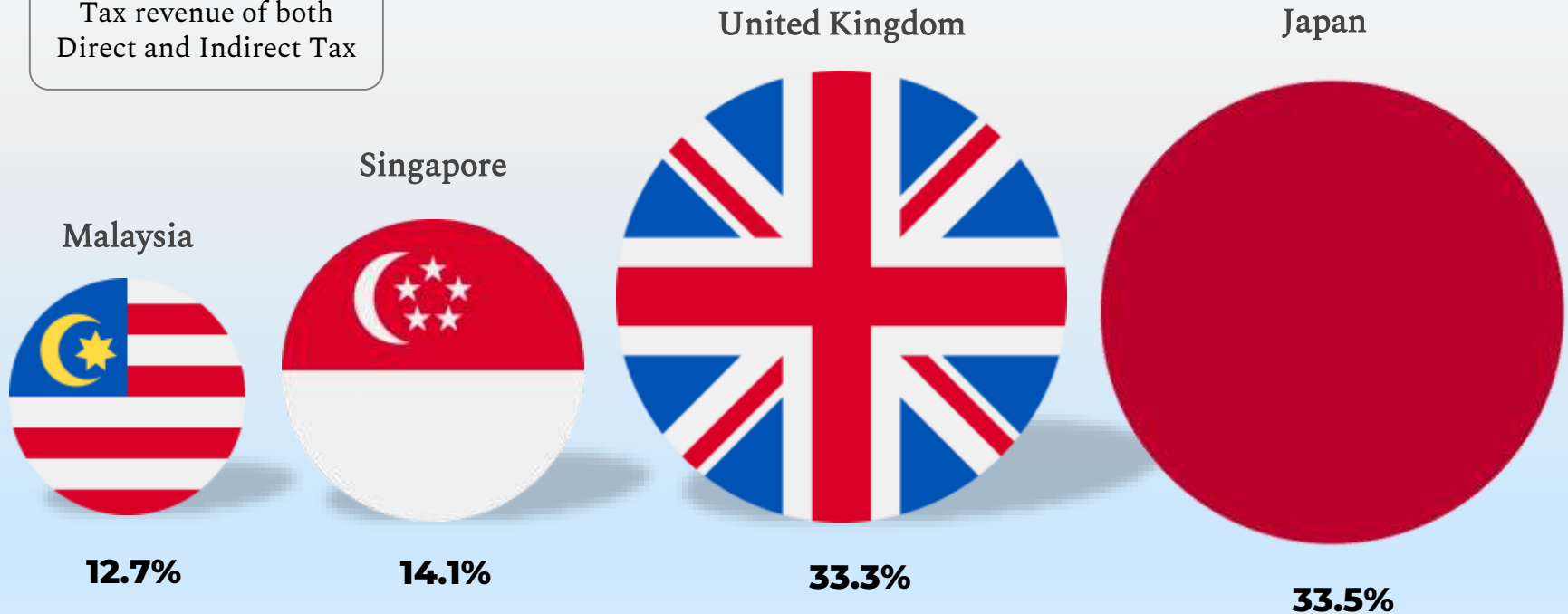
Note: <sup>P</sup> Preliminary

<sup>e</sup> Estimate

Source: Department of Statistics, Malaysia  
: Inland Revenue Boards of Malaysia

# Tax-to-GDP Ratio Comparison Between Countries in 2020

Tax revenue of both  
Direct and Indirect Tax



Source: OECD  
: International Monetary Funds (IMF)

# Shadow Economy

## DEFINITION:

Individuals or businesses involved in business activities & will ensure that they do their best to avoid being detected by law enforcement.

Also known as:

- Underground economy,
- Non-compliant economy,
- Hidden economy,
- Grey economy,
- Black economy,
- Cash-based economy, or
- Informal economy.



Black market trade in foodstuffs is thriving.



# Impact of Shadow Economy

The government has estimated that the size of the shadow economy in Malaysia is 21% of the country's Gross Domestic Product (GDP)

Costs of government and other businesses are expected to increase.

Unhealthy competition - affect the compliant businesses.

Taxpayer attitudes - affect the credibility of social norms and the tax system in supporting voluntary tax compliance.

Fraud - leads to the exploitation of workers.

Unsafe - consumers and businesses are at risk

Law - supports illegal activities on a large scale

# Illicit Financial Outflow

Malaysia ranked third in illicit financial outflows in 2015, by a study from Global Financial Integrity (GFI)



## Top 4 sources of illicit financial outflow

	IMF estimate	UN estimate
China	US\$222,070 mil	US\$173,118 mil
Mexico	US\$42,922 mil	US\$31,504 mil
Malaysia	US\$33,744 mil	US\$22,889 mil
Russia	US\$31,013 mil	US\$20,384 mil

Source: Global Financial Integrity, 2019

# Digital Economy

- Economy based on the use of digital technology.
- Individual/Company involves in Economy  
Digital business will be taxed under Income Tax Act 1967.

## Example

Sector	Description
Education	eBook, online tutor, etc.
Subscription	Comic/newspaper online, video streaming, etc.
Cryptocurrencies	Trading in the currency

## Advantages of Digitalization

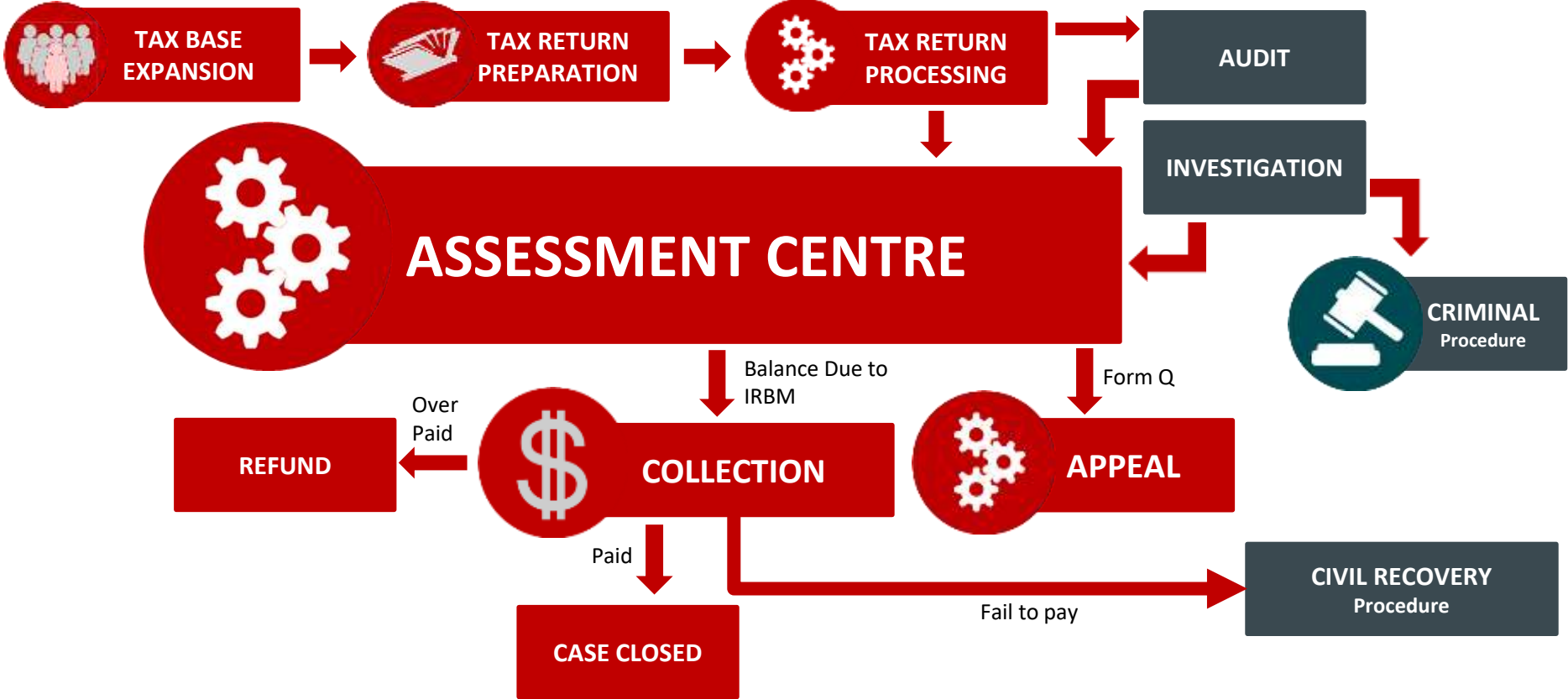
- With the emerging of digitalization, our work process become easier and more accessible.
- Modern operating system around the world

## Challenges

- In tax perspective, this leads to increase risk to taxation and rights to tax.



# SIMPLE TAX ECO-SYSTEM IN MALAYSIA



# THE REVOLUTION OF IRBM SINCE 2000

Prior to 2000

**FORMAL  
ASSESSMENT**

- Before 2000
- Filed by TP,  
Assessed by  
LHDNM Officer

Prior to 2001 to 2016

**SELF  
ASSESSMENT**

- 2001 onwards
- 2001 –  
corporate tax
- 2004 –  
Individual Tax
- You file, you  
compute, you  
pay

**DIGITALISATION**

- HASiL  
Transformation

**NEW  
ERA**



# IRBM TAXPAYER ROADMAP

COMPLIANCE

Digital  
Economy



COLLECTION

TAX BASE  
EXPANSION



## HASiL TRANSFORMATION

IRBM taking steps to transform the tax system significantly in line with current developments, Industrial Revolution 4.0 (IR4.0)



# 15 INITIATIVES UNDER HASIL TRANSFORMATION:

HASiL Identity

HASiL Integrated Tax System (HITS)

Enhancement of e-Service

MyTax Account

Enhancement of Document Management System (DMS)

Accrual Accounting

Digital Human Resource Management

CRM 2.0

Exchange of Information (EOI)

HASiL Power Data

Analytical Tools

Hybrid Cloud

Network Enhancement HASiL NETnUC

Next Gen Data Centre

Security Operation Centre

# HASiL TRANSFORMATION

## Summary of Initiative 2: HITS

1. Self Assessment System for Company (STSC)
2. Self Assessment System for Individual (STSNC)
3. Data Warehouse (DW)
4. Revenue Management System (ReMS)
5. Case Management System (CMS)
6. SMART
7. Expatriate Service Department (ESD)
8. Travel Restriction (MyIMM)
9. Duty Stamp System - STAMPS

**Various System with Multiple Databases**

**Data Management:**

2. Duplication of Data
3. Accuracy of Data
4. Data Quality

SHIFT TO



**Single System with Single Database**

- Mobile Responsive
- Web based

**Impact:**

- Automation
- Pre-Filled Information
- Nudging

Minimises Human Intervention

**To focus on Knowledge Creation, Development & Others**

- **HASiL Power Data**
- **Analytical Tools**

# HASIL TRANSFORMATION

## Summary of Initiative 4: MyTax



The screenshot displays the MyTax dashboard with the following components:

- Header:** Language selector (RM | EN), Log Keluar button, and notification bell.
- Left Sidebar (Menu Utama):** Dashboard, Perkhidmatan ezHasil, Panduan Pengguna, Sepintas e-Buku HASIL, Bantuan, and Soalan Lazim.
- Main Content Area:**
  - Baki Cukai:** RM 0.00
  - Semakan Sekatan Perjalanan:** Anda tiada sekatan perjalanan
  - Status Borang e-Filing:** 2020 (Borang BE 2020 telah dihantar pada [input]), 2021 (Borang BE 2021 telah dihantar pada [input])
  - Jumlah Bayaran Balik Terkini Yang Telah Dikuluskan:** RM 0.00
  - Terima Kasih Atas Sumbangan Anda Untuk Negara:** Donut chart showing contributions for 2019 (RM 0.00), 2020 (RM 0.00), and 2021 (RM 0.00).
- Bottom Section (Perkhidmatan Pilihan):** ByrHASIL and e-Filing progress bars.
- Right Sidebar:** Chat button and Tanya @ HNC button.
- Footer:** Tarikh Akhir Dikemaskini: 29 Jun 2022.



# Summary

**HASIL TRANSFORMATION**



A Leading Tax  
Administrator

**VISION**



**Thank You**