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## **Paying taxes made easy**

*“In Sweden we pay taxes online. The corporate income tax, value added tax, labour contributions and property tax are filed on a single form. Doesn't everyone do it that way?”<sup>1</sup> This is a question raised by Mr Astrid, a business owner in Sweden where the tax system is highly simplified.*

In Malaysia, the broad spectrum of income tax covers individual tax, corporate tax, RPGT, stamp duty and others. Then there is the customs - import duty, export duty, sales tax, service tax and sugar taxes. We also have labour taxes covering EPF, SOCSO, EIS and HRDF.

Unlike Sweden, payments here are mostly on a monthly basis which means a businessman in Malaysia could be paying more than four different taxes every month. A simplified system like Sweden is appealing and Malaysia hopes to work towards that path.

The Technical Working Group on Paying Taxes (TWGPT) under the Special Task Force to Facilitate Business (PEMUDAH) has been identifying improvements to existing tax related Government processes and regulations. Malaysia Productivity Corporation (MPC) is the secretariat for PEMUDAH.

“Simple moderate taxes and fast, cheap administration mean less hassle for businesses plus it translates into more revenue collected and better public service.”, an invaluable guidance provided the World Bank. The global institution falls back on three indicators to do so, namely, number of payments, amount of time (hours) and total tax rate (as a percentage of profit).

This can be achieved by the introduction of online filing, combining taxes, simplifying the tax administration and reducing tax rates and broadening the base. Over the last 15 years we have gradually shifted to e-filing and we are looking to improve the efficiency of the tax system.

In combining taxes, the question arises as to whether we can merge the various bodies which will not be easy considering the structural changes required but there is already an initiative towards that. In Singapore, the Inland Revenue Authority of Singapore (IRAS) is the Government agency responsible for the administration of income taxes, GST and enterprise disbursement schemes while the Australian Taxation Office administers the tax, excise and superannuation systems that support and fund services for Australians.

Many Malaysians are unaware that individuals with only one employment income source are granted an option not to file a tax return. Not just this, PEMUDAH has stepped in to address simplifying the tax administration to boost Malaysia's competitiveness. One is to introduce e-filing and e-payment for all taxes including income tax, GST, SST, EPF, SOCSO and HRDF. Then the policy to refund first and audit later for both income tax, GST and SST and that the tax is to be refunded with 14 days to 30 days for e-filing and manual filing respectively.

In the past two years during the COVID pandemic, the need for tax facilitation was even greater and the government had provided extension time for submission as well as deferment of tax payment, EPF and SOCSO. In facing the challenges to promote long-term sustainability, productivity and economic growth both the public and private sectors need to embrace change.

With the recently inked trade agreements like the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), we also need to be more competitive in the international front. In this regard, we cannot stand still, we need to run and we need to change rapidly.