

New IRB chief on mission to improve tax compliance



Barely seven months into her appointment, Inland Revenue Board chief executive officer and director-general Hasmah Abdullah has already secured the trust of her staff, and her focus now is to upgrade services for taxpayers as well as improve compliance, **HAMISAH HAMID** writes.

H heading an entity that contributes toward more than half of the Government's revenue a year is indeed a mammoth task.

However, Inland Revenue Board (IRB) chief executive officer (CEO) and director-general Hasmah Abdullah believes she can handle the job, with support from nearly 9,000 IRB staff throughout the country.

Barely seven months into her appointment as the CEO, the nation top taxwoman has already secured the trust of her staff through improved communication.

Her focus now is to upgrade services for taxpayers as well as improve compliance.

"If the services are improved, taxpayers will be more positive toward the IRB and this will improve their compliance," Hasmah said in an interview with *Business Times* in Kuala Lumpur recently.

Last year, the IRB collected RM65.7 billion, which translates into 53.1 per cent of the Government's total revenue for that year.

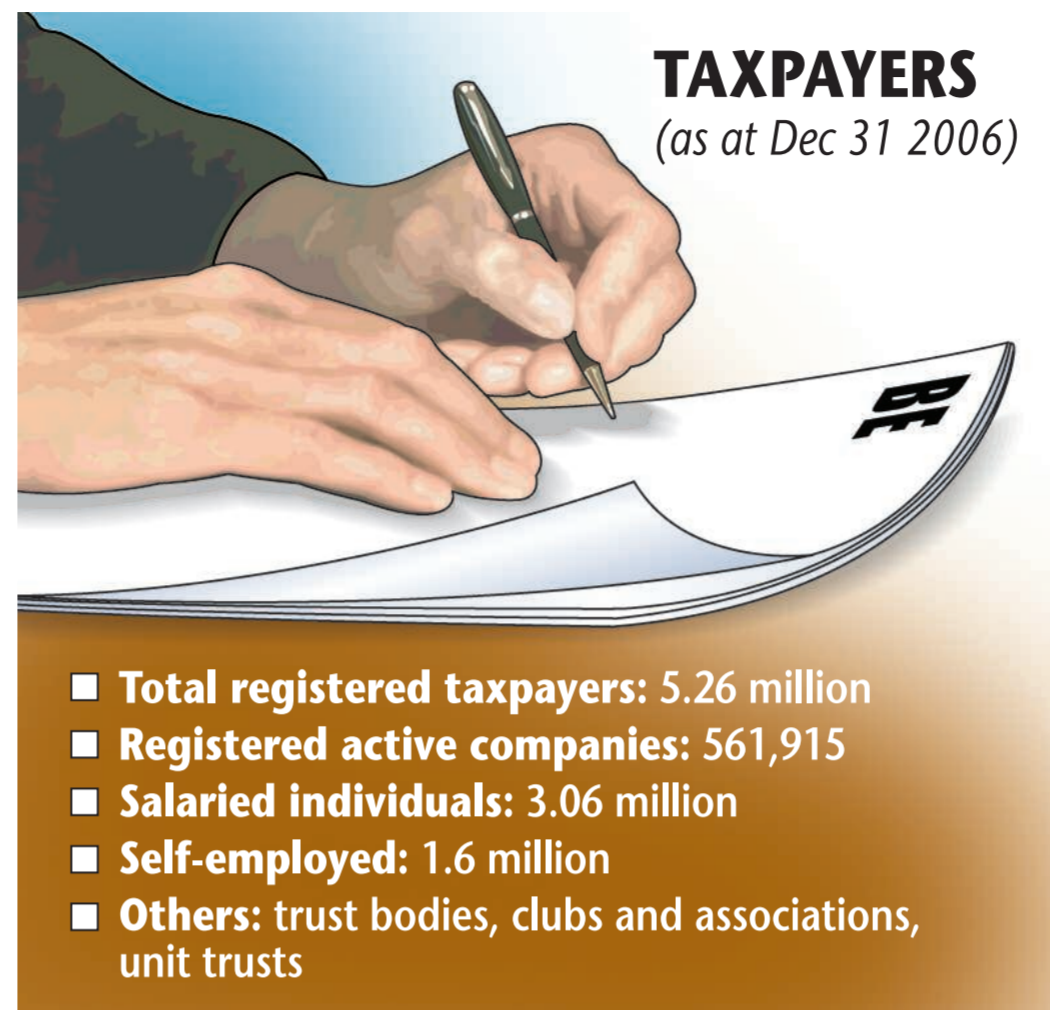
The Government's total revenue for last year was estimated at RM120 billion.

In 2005, the agency collected RM56.8 billion, while in 2004, it collected RM48.63 billion.

Hasmah is confident that the IRB will collect more taxes this year but she declined to reveal the target.

Enhancing tax compliance among corporate and non-corporate taxpayers is also one of her objectives.

To improve compliance among corporate taxpayers, IRB would conduct more field audits at



companies' premises. "For this year, we will go all out after employers if we find breaches of trust, whereby employers deduct their employees' salaries under schedular tax deduction (STD) system but do not remit it to IRB," she said.

She said normally, if IRB systems found discrepancies on STD, it would churn out the name of the companies.

Sometimes the matter would be brought to IRB's attention when employees called or went to the IRB office to check their credit status and found that their employers did not remit the STD collection to the agency.

Hasmah said generally, the culprits were non-listed companies and small and medium enterprises.

"Some cases were due to ignorance, but we think ignorance is not an excuse," she said.

Currently, the compliance among taxpayers in Malaysia is about 65 per cent for businesses and 75 per cent for employees.

Hasmah, who has been with IRB over 33 years, said there are always late filers or those who try to beat the system.

"Even developed countries don't get 100 per cent compliance.

"The rate in developed countries is between 75 and 90 per cent," she said, attributing the higher rate in developed nations to greater awareness among taxpayers on their tax obligations.

Hasmah, who has seen transformation of information technology (IT) systems within the agency over the past eight years, wants to use IT applications more.

She wants to improve internal efficiency as well as upgrade the IRB delivery system. "I believe that it can be improved to be more sophisticated, so more processes and services can be made online," she said.

She aims to make her agency free from work processes that hamper efforts to implement fast changes in its IT system.

The upgrading of the IRB's system would eventually result in synchronisation of assessment, collection and refund of taxes.

When this is realised, taxpayers can look forward to checking their tax status online.

"It may be possible when the e-filing is efficient and the refund system is improved," she said.

Hasmah's immediate plan is to improve the tax refund system and meet the three-month target to refund excess taxes to taxpayers.

She said the implementation of the e-filing system — where taxpayers submit their return forms online — would expedite tax refunds.

She said e-filing is easy, accurate, safe and fast compared to manual submission of tax return forms.

Beside no risk of mail being lost, tax returns are more accurate as the e-filing system computes the tax for taxpayers.

"We integrate the e-filing system with our main system, so when tax return is sent through e-filing, the information will be immediately uploaded to our main system and can be processed fast.

"This way, refunds can be made faster," she said.

Hasmah lamented that individual taxpayers always sent in return forms at the 11th hour.

"About 60 per cent of returns were sent in within the last two to three weeks before the deadline.

"Since the self-assessment system was implemented for individuals, 80 per cent of the return forms were not complete," she said.

These tend to delay the process as IRB staff had a tedious task to deal with incomplete forms.

"If taxpayers submit return forms earlier, they can be guaranteed to get refunds within three months," she said.

In helping IRB make faster tax refund, in 2005, a Fund for Tax Refund was established under the Income Tax Act 1967.

The law allows Minister of Finance to authorise money from IRB's collection for tax refund purposes.

Previously, IRB had to ask for money from the Treasury, for tax refund purposes.

Also starting this year, Hasmah said IRB will refund excess tax paid based on current assessment year.

Previously, before refund is made, IRB had to check on taxpayers' previous assessment years to see if there was any tax payable.

Board surpasses target for online filing of returns

THE Inland Revenue Board (IRB) has surpassed its target on electronic submission of return forms, the e-filing.

As the April 30 deadline of submitting tax return forms came to end, a total of 569,990 taxpayers had sent in their return forms through e-filing.

Chief executive officer and director-general Hasmah Abdullah had earlier targeted 360,000 people to use e-filing this year, double the previous year's figure.

Hasmah said last year, about 180,000 taxpayers sent in their return forms through e-filing system.

By the end of March this year, there were already 70,000 people who sent in return forms through e-filing.

Previously, only 4,500 people used e-filing until the end of March 2006.

"We hope to double the number of taxpayers who use e-filing this year," she told reporters at a recent IRB media workshop in Port Dickson, Negeri Sembilan.

A senior official from IRB sees last year's figure of 180,000 taxpayers who used e-filing system as a "good rate".

"It is about seven per cent of total taxpayers (in Malaysia), which is a good rate because in the UK, the rate was one per cent when the system was introduced

there," he told *Business Times*.

In March, Deputy Finance Minister Datuk Dr Awang Adek Hussin said about 80 per cent of taxpayers are expected to use e-filing system in the next five years.

According to Awang Adek, the Government has no intention of making e-filing compulsory as it is only an alternative mode of submitting tax return forms.

IRB had embarked on aggressive efforts since early April this year to make e-filing the preferred option of submitting tax return forms.

Hasmah said IRB officials had visited companies and government departments nationwide to brief and assist the private and public sector employees on how to use e-filing.

"We also go to most of shopping malls," she said.

Hasmah said IRB has improved e-filing system to make it more user-friendly and added a new feature to it, which is e-bayaran.

She said e-bayaran allows taxpayers to pay tax online through internet banking accounts of banks who are members of Financial Process Exchange (FPX).

Currently, CIMB Bank, Public Bank, Hong Leong and Bank Islam are members of FPX.

Maybank is said to be the next banking institution to join FPX.



Taxpayers wait for their turn to use e-filing at an IRB office. The IRB has been embarking on aggressive efforts to make e-filing the preferred option of submitting tax return forms.

“We integrate the e-filing system with our main system, so when tax return is sent through e-filing, the information will be immediately uploaded to our main system and can be processed fast.”

Hasmah