

Malaysia's robust online tax platform keeps getting better

e-Filing has come a long way from its humble beginning. As at end-October 2017, more than 4.3m taxpayers made avail of the option

by HABHAJAN SINGH

MALAYSIA has a robust online tax platform used by a majority of taxpayers. The Inland Revenue Board (IRB) today runs an efficient system to cater to the more than five million taxpayers, be they individuals or corporations.

Called "e-Filing", the online system is designed for the most convenient way to submit income tax return forms. The idea is to save time and the hassle when submitting the tax returns. All you need to do is enter your income, deduction, relief and rebate only. The system even does the calculation for you.

The system has come a long way from its humble beginning. In 2001, the tax authorities began with a self-assessment system for the corporate sector. They could download return forms, but the filing and submission were done manually.

At that stage, they could merely download the form from the IRB website. Remember, Internet back then was nothing like what we have today.

In 2004, e-Filing was introduced, marking the first step towards the full-fledged online tax services available today. This was around the time social networking provider Facebook Inc was founded.

"We were the pioneer in Asia. Many foreign authorities came here to study our system, and many were impressed with what they saw. We had visitors from various third-world countries too," IRB tax operation department director Mohammed Noor Ahmad told *The Malaysian*



Mohammed Noor (left) and IRB system modernisation department director Norhayati Mat Kassim. Mohammed Noor says many foreign authorities came to Malaysia to study our system, and many were impressed with what they saw

Reserve in a recent interview.

Other online services provided under the ezHasil platform are e-Daftar for registration, e-PCB for automatic calculation of your tax payment, byrHasil for tax payment, e-Kemaskini to upkeep your tax details, e-BNT for submission of amended return for company, e-Lejar to check current tax balance position, and MyTax as a letterbox for information on your tax status.

The e-Kemaskini, for example, also allows taxpayers to update or determine whether his or her personal details, such as address and bank account number, had been recorded correctly by the IRB. Through e-Lejar, taxpayers can check whether records of tax transactions namely assessments, instalment payments, tax payments and repayments have been updated. On current tax balance position, taxpayers can distinguish whether they have a debit or credit balance.

End-User Security

The system has placed a paramount importance in ensuring security. The IRB has adopted public key infrastructure for its digital certificates.

Public key cryptography has become widespread as a way to protect users, networks, data and critical business systems. Whether it is used to encrypt data and ensure privacy, to digitally sign documents and messages, to attest to their integrity and authenticity, or to authenticate users and systems and control access, these public key operations are integral to modern operating systems, commercial security products and custom-built systems, explained a company that provides such security features.

E-commerce, online banking, Internet gaming, smartphones and cloud computing all rely on the use of digital certificates to represent the digital identity of users, connected devices, web services and business

applications, the company added.

How does it work? The company said each digital certificate, issued by a certificate authority, is based on a pair of cryptographic keys that form a high strength unique credential that is tightly associated with the user or organisation in question, and that is used to perform secured operations such as encryption or signing.

"We are very particular about the security. Otherwise, taxpayers won't trust us. The buy-in is very important," he said.

Public Response

And how have the end-users responded? As the saying goes, the proof of the pudding is in the eating. As at end-October 2017, more than 4.3 million taxpayers of all categories — individuals, partnerships, employers and corporations — have made avail of the e-Filing option. This made up the bulk of tax filings for the assess-

ment year 2016 — with only 5% submitting their tax returns manually.

It's a massive leap from the early days. In the year after e-Filing was introduced — the assessment year of 2005 — a mere 6% of taxpayers chose the online option. It crossed the million mark for the 2007 assessment year with 36% of taxpayers, or 1.1 million, opting for e-Filing. For corporations, both resident and non-resident, e-Filing was made mandatory since 2014.

There has been no turning back since. But why do some still go manual? For the assessment year 2016, they numbered 208,138, with individual businesses making the bulk of it.

"They are probably new taxpayers and some taxpayers who are still comfortable with manual returns."

More than two decades later, Malaysia's online tax platform today is at-par globally, said Mohammed Noor. The conviction is based on interactions with tax officials from other nations, as well as feedback from colleagues when they attend international forums.

The ringing endorsement can also be seen from the confidence the global community has in Malaysia. Sri Lanka, for example, opted for Malaysia to train some 1,200 Sri Lankan tax officials between the years 2015 and 2016.

"They came here for their training as part of the nation's efforts to transform and modernise their tax administration. Among others, they studied e-governance, tax administration and e-services," he said.

But the IRB is not sitting on its laurel. It has now earmarked a number of areas for development, with a keen eye on payment improvement.

"We will also harness our big data analytics to improve tax administration in terms of compliance," he said.

This year, e-Filing for individuals, businesses, partnerships, employers and association will be open on March 1.