

IRB keeping a close eye on e-commerce transactions

The tax authority also collaborates with govt agencies like SSM and Customs to track online tax defaulters

by **HABHAJAN SINGH**

E-COMMERCE activities, as with other business and enterprise transactions, are taxable. Many seem to think that they can escape taxation simply because they conduct businesses online or over the phone.

They should be warned. The Inland Revenue Board (IRB) is keeping a close tab on online commercial activities.

"We have been monitoring e-commerce for a long time. We monitor and trace potential taxpayers doing e-commerce, and do case selection for audit. Everyday, we monitor. We look at the social media, market places and other platforms," said IRB director of e-commerce division Abdul Aziz Kechik.

In their monitoring and tracking efforts, the IRB collaborates with other government agencies like the Companies Commission of Malaysia (SSM) and the Royal Malaysian Customs Department.

"Once we detect, we do a profiling. Our officers will then send them a query. They usually respond. Otherwise, we have other avenues to pursue their cases," he told *The Malaysian Reserve* in an interview.

E-commerce is part of the digital economy which also include areas like payment services, application stores, online advertising, cloud computing and infrastructure as a service.



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Essentially, e-commerce is defined as any commercial transactions conducted electronically. These include the activity of providing information, promotion and advertising, marketing, supply, order or delivery of goods and services, even though the payment and delivery relating to such transactions may be conducted offline, according to information on the IRB website.

Individuals and companies involved in e-commerce activities will be taxed under the Income Tax Act 1967.

Some of the responsibilities of e-commerce business owners and website owners include ensuring having an income tax file number, declaring income/losses received from business and e-commerce activities, and completing the Form e-B via e-filing.

The note added that e-commerce practitioners are also obliged to show business information such as the name of the business, registration number and other relevant information on the website, as per the requirements under the Companies Act 2016 and the Consumers' Protection Rules for electronic commercial transactions.

Abdul Aziz said online businesses can claim for the expenses, similar to other businesses.

"Online practitioners can also claim unique expenses for website maintenance cost, website consulting fee, domain name renewal, Internet access, communication equipment, server rental and utilities. They also can claim capital allowance for all capital expenditure," he said.

When it comes to the digital economy and taxation, Abdul Aziz said one of the challenges is dealing with cross-border transactions.

The issue was widely deliberated by the Organisation for Economic Cooperation and Development in a report released in 2015.

The report identified common techniques in tax avoidance or tax planning, avoiding a taxable presence in a market or country, minimising income allocable to the market and parent jurisdiction or maximising income in low-tax jurisdiction.

Hence, countries around the world and tax jurisdictions face difficulties in imposing taxes on companies such as Uber Technologies Inc, Airbnb Inc and Google Inc that have adopted such business models.

The base erosions and profit shifting issue had resulted in huge sums of tax uncollected faced not just by Malaysia, but other tax jurisdictions all over the world.