

Question 1

Malaysia's income tax system is a self-assessment system of taxation. The Government has introduced Self Assessment System (SAS) in stages, commencing with companies from year 2001 and individuals from year 2005. The self-assessment system of taxation is a system designed to transfer the responsibility of determining taxable income and computing the related tax liability from the Inland Revenue Board (IRB) to the taxpayer.

Prior to the implementation of the SAS, Malaysia operated an official assessment system. Taxpayers were required to complete and submit a Return Form to the IRB which would assess the amount of tax and a notice of assessment would be sent by the IRB to the taxpayer detailing the amount of tax to be paid. The shift to the SAS was implemented with the aim of reducing the work-load of the IRB and to allow the IRB to focus on high tax risk areas during tax audit.

Required:

Discuss in detail how the SAS impacts taxpayers, tax advisors and the IRB. Also, discuss whether any improvements could be made to the current SAS.

Question 2

Under the Self-Assessment System, penalties are necessary to ensure proper compliance with the tax laws. Generally, penalty provisions can be categorized into three broad groups:

- Offences against the Act
- Filing inaccurate returns and providing incorrect information, and
- Fraud and wilful evasion

The penalty framework under the Malaysian Income Tax Act, 1967 (ITA) includes additional taxes and possible imprisonment in certain instances. The IRB has significant powers to decide on the quantum of penalty to impose in non-prosecution cases.

Required:

Discuss in detail how the provision for penalties and offences under the ITA ensures proper compliance by taxpayers with the tax laws.

Question 3

Converging trends, including a shifting global economy, globalization and rapidly-changing business models mean that countries are constantly reassessing how competitive they are from a tax standpoint. At the same time, they also need to protect their tax base from erosion by what they perceive as abusive tax planning.

In recent years, the Inland Revenue Board (IRB) has increased its tax enforcement activities, e.g. regular tax audits, to monitor compliance with the tax laws. Tax audits will typically involve a detailed examination of the taxpayer's business records to ensure the amount of income reported and the tax paid by the taxpayer are in accordance with the law and regulations. The IRB may audit a taxpayer at any point in time either in the form of a desk audit and/or a field audit.

Required:

Discuss in detail the impact of the new trend in tax enforcement measures on taxpayers, tax advisors and the tax authority.
