

TECHNICAL

DESIRE Dialogue with IRB – Key Issues Discussed

The Inland Revenue Board (IRB) called for a DESIRE Dialogue No.1/2013 on 3rd April 2013 to brief the stakeholders on the future direction of the IRB. CTIM delegation, led by the President, Mr SM Thanneermalai, participated in the Dialogue and we are pleased to update members on the following matters discussed:-

1) **Monthly Tax Deduction (MTD) as a Final Tax (MTD final tax)**

The IRB has informed that they are moving towards dispensing with the need for filing tax returns (Form BE) for *single employment source* taxpayers who are under the MTD scheme. The taxpayer's MTD will be treated as the final tax unless the taxpayer chooses to file a tax return. It is proposed, for example, that employees who receive benefits in kind and benefits under Employee Share Schemes will qualify for MTD final tax while those whose taxes are borne by the employer will not be included in the plan. Employees who opt for joint assessment will also be excluded from the plan. More details will be provided in due course.

The relevant sections of the Income Tax Act will be amended to cater for the change. As this is still in the planning stage, the Institute has requested the IRB to share their proposals and the proposed amendments to legislation with CTIM so that a comprehensive response may be made before the law is finalised.

The plan is to introduce this change in the coming 2014 Budget.

2) **Enhancement on Client to Host Application (CTHA)**

The IRB will be re-introducing the CTHA in August 2013. CTHA allows a tax agent to e-file tax returns in batches. It will process and validate data uploaded by tax agents and provide a list of e-Form data contained in the uploaded files with the validation status. The draft e-Forms can be printed out for review and approval by the clients. The internal application used by the tax agent must generate an XML file according to the standard and format required. IRB will issue detailed guidelines on the CTHA services before it is launched. The application will be available in the e-training environment for testing at the end of June or in early July 2013.

CTIM welcomes the move as it facilitates e-filing and we request the IRB to engage the users (tax practitioners) and software service providers on a pilot basis before rolling out the application. The President has also requested that detailed information relating to CTHA and the requirements by the IRB be made known to the taxpayer/tax agents well before it is finalised so that they have sufficient time to make the necessary adjustments.

The plan here is also to roll this out by August 2013.

3) **Evaluation of Payroll and Accounting System**

The IRB proposes to give recognition to payroll and accounting packages which are compatible with the IRB requirements for the purposes of e-filing, tax audits and investigations as well as MTD calculations. IRB will give/state its requirements for the

accounting package, and any accounting package that meets the requirement will be recognised.

CTIM and the participants present at the meeting were concerned about the implications of such recognition and suggested that the IRB should set out its standards required to be met rather than require the taxpayers/tax practitioners to seek/get certification from the IRB for their payroll and accounting packages.

CTIM is of the view that the IRB should keep an open system and allow taxpayers to choose whether they would like their accounting package to be recognised. Dato Mohammad Sait, the Deputy Chief Executive Officer of IRB (Tax Operations) stressed that the IRB respects the privacy and confidentiality of taxpayers and will not probe into their accounting systems. The purpose of the proposal is to facilitate the compliance and enforcement of the law. The IRB will provide further details on their plan and this is intended to be implemented over the next two years.

4) **Self Assessment of Real Property Gains Tax (RPGT)**

The IRB has recently introduced the facility for the e-Lodgement of RPGT Returns to facilitate taxpayers notifying the IRB on the disposal of real property - electronically. Dato Mohammad Sait informed that the IRB is moving towards **self-assessment of Real Property Gains Tax**. The relevant law will be amended to allow for the change.

CTIM has requested the IRB to allow the stakeholders to provide feedback before the finalisation of the law so that the transition into the new regime can occur without any problems.

As the above matters develop, CTIM will keep the members duly informed.

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