KERATAN AKHBAR

TARIKH : 2 OKTOBER 2023

AKHBAR : THE SUN

MUKA SURAT : 12

What to expect in Budget 2024

What to expect in Budget 2024

SUBSIDY reduction is the most important issue that is likely to be the focus in Budget 2024 if Malaysia is to work towards reducing its budget deficit.

The "elephant in the room" when it comes to subsidies is the petroleum subsidies which are now available to everyone. Every dollar of increase in the price of crude oil will commensurately increase the subsidy given to the public. The government will announce measures to channel subsidies to targeted groups rather than the benefits being available to everyone.

It is expected that development expenditure will be funded with borrowings. The only alternative to reducing borrowings will be through the introduction of new taxes and/or intensifying the enforcement of the existing tax rules. Both are painful remedies to reduce borrowings.

New taxes

Currently, there is no major exercise to review the country's tax system or to reform the tax system on a totality basis. There does not seem to be an appetite to reintroduce the Goods and Service Tax (GST). The reintroduction of GST appears to be viewed as being regressive as the tax will have to be borne ultimately by consumers.

Although this issue can be neutralised with the correct use of the zero-rating and the exemption system to focus on items which may affect the lower-income segment, the current political climate is not conducive to the reintroduction of GST.

It is likely that the coverage of the current Sales and Service Tax (SST) may be widened to include more goods and services.

New taxes appear to be on the horizon. The most likely tax that could be introduced is the capital gains tax on unlisted shares owned by companies, luxury tax, tax on low-value goods, imposition of minimum tax of 15% under Pillar 2 of the Organisation for Economic Cooperation and Development (this is part of the imposition of global minimum tax).

Amplifying ongoing initiatives

Currently, there is a self-voluntary declaration scheme available until May 31, 2024 for income tax cases. It is likely that the Inland Revenue Board (IRB) and the Royal Malaysian Customs Department will step up their campaigns to encourage taxpayers to enter this programme, which is effectively an amnesty.

There is great effort put in by the IRB to promote e-invoicing, which will be implemented on June 1, 2024 for taxpayers whose turnover exceeds RM100 million. This will add to the government's revenue as leakages in the system will be reduced and there will be greater transparency.

Another initiative by the IRB is the Tax Corporate Governance Framework (TCGF). At the moment, this is at a pilot testing stage and, once it is over, it is expected that TCGF will be rolled out to medium-sized companies, which will lead to sustained tax revenues through improved compliance.

Increased enforcement

Increased tax revenue can also come from enhancing surveillance on the level of compliance of tax laws. There are many provisions in the Income Tax Act and the various indirect tax legislations which require timelines to be met. Any failure here could result in penalties which will add to the tax collection.

Similarly, if the authorities are to comb through current taxpayers' files, they are likely to find departures from compliance on technical and non-technical issues. This will also add to tax revenue. However, such actions must be carefully managed, otherwise this will lead to the perception that taxpayers are being harassed and their willingness to cooperate could evaporate.

This article is contributed by Thannees Tax Consulting Services Sdn Bhd managing director SM Thanneermalai (www.thannees.com).