

Surviving tax in an automated world

ONLY a decade ago, one would never have imagined the level and pace of technology advancement we have in our world today. Everyday buzzwords such as 5G, robotic process automation, internet of things, artificial intelligence, big data analytics and block chain would have been quite alien to the man on the street.

Today, these terms are taken for granted in our everyday conversations and a minimum understanding of them is assumed.

China is actively pursuing its 5G network and it is believed that by 2025, the Chinese government would have complete information about its 1.4 billion population. It is envisaged that real-time information would be available to track virtually all purchases and locations of every individual in the country. When this happens, information privacy would become a thing of the past.

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Due to increasing global connectivity, governments and authorities in the rest of the world would follow suit and citizens would become increasingly transparent to government authorities. Some may deny this, hoping for some form of data protection, but these changes are already happening in our own backyard in the field of taxation.

We may not have taken too much notice that the Malaysian 2020 Budget speech included an announcement that beginning January 2021, every individual from the age of 18 shall be assigned a Tax Information Number (TIN). This would enhance the ability for the tax authorities to track down individuals operating in the shadow economy.

Malaysia's global participation in the Common Reporting Standard (CRS) for the Automatic Exchange Of Information (AEOI) in a global effort to enhance tax compliance and to combat tax evasion.

The CRS sets out the information to be exchanged, the financial institutions required to report, as well as common due diligence procedures to be followed by the financial institutions. Since September 2018, financial institutions in participating countries (currently over 130 countries) are required to collect and report annually to the Malaysian Inland Revenue Board (IRB).

Under the MCAA, reporting financial institutions are also required to share information with other countries' financial institutions. The information extends to account balances, interest, dividends and other income generated from the assets held by financial institutions. With the availability of data and ease of data collection due to the enhanced computing power of today, financial institutions are also automating their information-sharing processes.

It is no secret that the IRB is already leveraging on new technology to increase the efficacy of its tax audits.

The IRB's risk-based approach would be further enhanced with increased access to a global database that is fast and efficient. The IRB has proudly informed taxpayers that it has an Intelligence and Profiling Department armed with an automated digital system which can analyse taxpayers' data based on the income tax returns submitted and identify, sort and profile high-risk taxpayers who are most suitable for a tax audit and more likely to generate revenue.

With this, the IRB would further leverage on the Collection Intelligence Arrangement (CIA), which was set up under the Ministry of Finance to enable the IRB, Royal Customs of Malaysia and the Companies Commission of Malaysia to share information seamlessly.

How should Malaysian taxpayers respond to all of this? With the undeniable rapid growth of data globally, it would seem prudent for taxpayers to simply assume that almost all banking and investment information are already available to the IRB and to tax authorities in countries with MCAA.

It is in the interest of all taxpayers to take active steps to seriously and carefully review their own tax compliance history and rectify any errors and to voluntarily report any gaps in their tax reporting. This is to ensure that the risk of being caught and slapped with huge penalties is

mitigated or at least reduced. It is more important now than ever before for taxpayers to diligently comply and keep sufficient documentary evidence to defend themselves in the event of a tax audit.

Even though the opportunity to benefit from the Special Voluntary Disclosure Programme had ended since September 30, 2019, the IRB informs that it is still not too late to come forward to do any voluntary disclosures. Doing so should help individuals differentiate themselves from individuals operating in the shadow economy or involved in deliberate tax evasion. One would hope that the IRB would be discerning in this respect.

Given that automation has resulted in the reduction of manual processes and the tax authorities having access to large amounts of data, the IRB will be more effective and more targeted in its enforcement activities.

Coupled with the Malaysian CIA being put in place and with every Malaysian individual 18 and above being tagged with a TIN, no one will be spared. Global transparency is no longer science fiction but the new reality, and therefore taxpayers must increasingly focus on good tax compliance.

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Call on IGB upgraded after REIT listing plan

PETALING JAYA: PublicInvest Research has upgraded its call on IGB Bhd to "outperform" from neutral, with a revised target price of RM4.70, after the group announced its plans to list its commercial assets.

In a note, the research house said it was positive with the proposed plan to monetise the assets which it estimated could potentially unlock value in excess of RM3 billion.

"We reckon the value of the commercial assets is estimated to be in excess of RM3 billion. Assuming IGB is keeping a 51% stake, the listing could monetise at least RM1.5 billion for shareholders," it said.

Last Thursday, IGB proposed the listing of IGB Commercial REIT which will comprise of Menara IGB, Mid Valley City; Centrepoint South, Mid Valley City; Centrepoint North, Mid Valley City; The Gardens South Tower, Mid Valley City; The Gardens North Tower, Mid Valley City; Menara Southpoint (excluding the residential units), Mid Valley City; Boulevard

Offices (Blocks 25 and 27), Mid Valley City; Menara Tan & Tan and G Tower.

The sale consideration is expected to be satisfied through a combination of cash and issuance of new units in IGB Commercial REIT. The group has also proposed a restricted offer for sale and distribution-in-specie.

In a separate filing with Bursa Malaysia on the same day, IGB also announced its quarterly financial results which came in "within expectations" of PIVB's estimates.

"IGB's 3QFY19 net profit came in at RM66.5 million which was largely in line with our expectations. Year to date, the group's 9MFY19 net profit of RM148.8 million constituted about 75% of our full-year estimates.

"Its new mall in Iskandar Malaysia i.e. Mid Valley Southkey has 90% committed tenants now and as reported earlier, we expect it to be fully occupied by end-2019. Earnings estimates are kept unchanged," PIVB said in its note.

'Al Jaber creditors mulling enforcing claims against owners'

DUBAI: Creditors of Abu Dhabi-based Al Jaber Group are considering enforcing claims against the owners of the group after delays in executing a restructuring agreement, the latest in a long-running debt dispute, two sources familiar with the matter said.

Al Jaber, best known as a contractor but with interests across a range of sectors, has struggled since a construction downturn in the United Arab Emirates after the global financial crisis.

The group agreed late last year restructuring terms for 5.9 billion dirhams (RM6.7 billion) of debt, in a deal that would have seen the company reduce its obligations through asset sales and a debt buyback mechanism with a 52% discount.

But delays in implementing some aspects of the deal have

frustrated a majority of creditors – including hedge funds and Abu Dhabi lenders Abu Dhabi Commercial Bank and First Abu Dhabi Bank – who are planning to take action against the group owners, the sources said.

"Lenders have reached the finish line," one of them said.

A spokesman for Al Jaber said the company signed earlier this year the terms of an agreement with its lenders, but not all of its creditors approved it.

"Since then, the group has continued to pursue its core objective of reaching a similarly structured agreement at the earliest opportunity and has been encouraging all lenders to participate in productive dialogue towards this end."

First Abu Dhabi Bank and Abu Dhabi Commercial banks declined to comment. – Reuters

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