



Introduction of Tax Identification Number

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KPMG in Malaysia

Overview and Commentary



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Key Message

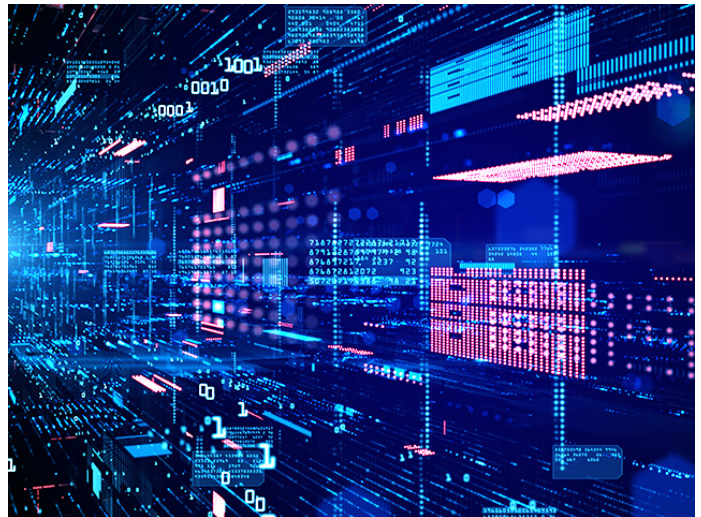
“The introduction of the Tax Identification Number is to ensure no one is left behind in terms of their tax compliance obligations. This initiative is specifically aimed at broadening the government’s tax base and combat tax leakages.”

Introduction of Tax Identification Number (“TIN”)

In the Government of Malaysia (“GoM”)’s move to ensure sustainable tax revenue and standardisation with international practices, Budget 2022 announces the GoM’s intention to introduce Tax Identification Number (“TIN”) effective 2022 to broaden its tax base.

Current practice

The Inland Revenue Board of Malaysia (“IRB”) assigns a unique tax reference number to persons who come forward to obtain a tax file number.



Possible methods of implementation

Based on current system, there will be tax leakages where individuals or companies with tax filing obligations do not register themselves and hence do not pay their share of income taxes. By introducing TIN, it is expected that the GoM will assign a TIN automatically and hence, overcome the issue of taxpayers having to voluntarily register themselves. For individuals, a TIN could be automatically assigned to the individual who reaches the age of 18 or upon issuance of the MyKad, whereas for companies, a TIN could be assigned upon incorporation and registration with the Companies Commission of Malaysia.

Whichever the mode of implementation, a whole host of legislation will likely need to be enacted or amended to ensure that the rights of taxpayers are safeguarded and that TIN can only be used for specific and identifiable purposes.

Potential impact to individuals and companies



Once the TIN is implemented, the GoM could require the disclosure of TIN in certain banking transactions such as opening of accounts or remittance of money, and other transactions relating to sale and purchases of properties. The extent of the usage of TIN would potentially allow the GoM to gain access to information relating to income generating activities of individuals and companies to ensure there are no tax leakages. With the advancement of technological tools incorporating Artificial Intelligence, it will not be

difficult for the IRB to sift through tons of data to find useful information on taxpayers who have a TIN.

We will need to wait for further details to know with more certainty how TIN will be implemented but one certainty is that this move should be beneficial to the IRB in curbing tax leakages and to broaden the tax base. In so far as the IRB is concerned, TIN's implementation cannot come soon enough.

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