Govt should mull corporatising Customs Dept to boost tax collection, says KPMG policy adviser

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Dr Veerinderjeet Singh

KUALA LUMPUR (Oct 12): The government should consider corporatising the Customs Department so that it would have more autonomy to improve the efficiency of tax collection, said KPMG Malaysia tax policy adviser Dr Veerinderjeet Singh.

Veerinderjeet suggests that the Customs Department should follow the template of the Inland Revenue Board (IRB), which corporatised its operations in 1996, allowing it to improve the quality, speed and effectiveness of tax collection.

"The idea about corporatising is you use modern techniques. You're getting better staff. If you want, hire and pay and try to get more support.

"You could hire people in the private sector to help you. So that is the advantage of being corporatised," Veerinderjeet told The Edge on the sidelines at the Post-Budget 2027 Debate organised by the Malaysian Economic Association on Monday.

Veerinderjeet reiterated that even under a corporatised model, the Customs Department would still be under the purview of the Finance Ministry and be bound by national fiscal policies and tax rate structures.

Corporatising means greater operational autonomy, particularly over its financial and personnel management, while still acting as an agent of the government.

He added that corporatising the Customs Department at least for its sales tax, service tax and excise units, could help reduce leakages, strengthen internal controls and boost revenue collection, while border security functions could be maintained under direct government oversight.

Veerinderjeet also partially attributed the government's rise in tax revenue to improved compliance and the introduction of mandatory e-invoicing, aside from the expansions in Sales and Services Tax (SST).

The Customs Department is responsible for collecting indirect taxes, duties and trade-related levies, while the IRB is responsible for collecting direct taxes. Both operate under the Finance Ministry.

According to this year's Finance Ministry Fiscal Outlook and Federal Government Revenue Estimates report, tax revenue for 2026 is projected to be RM280.8 billion, 8.1% higher than 2025's 259.8 billion.

The report said direct tax would grow 5.8% to make up RM191 billion of this amount, driven by better income tax collection.

Improved corporate income tax collection, at RM101.7 billion, is attributed to the phased implementation of the e-invoice, which reduced leakages and enhanced compliance.

Indirect tax, meanwhile, is projected to increase by 13.2% to RM89.7 billion due to stronger sales and service tax collection after its scope was expanded.