

In the US, it was found that the average taxpayer spends about 13 hours preparing his/her tax return. There's no such statistic here



# When should you hire a tax consultant?

- **The key** consideration is the tax savings versus the cost
- **If you own a** business, it would make sense to consider hiring a personal tax consultant



by  
**Lim Siew May**

IT'S been said that the only two certainties in life are death and taxes. Under the self-assessment tax regime introduced in 2001, the major change in our tax system transferred the duty of accurately computing taxes from the Inland Revenue Board (IRB) to the taxpayers.

Love them, hate them, we all have to deal with the tax man, or in our case, the IRB. For the estimated two million active taxpayers in the country, some may even consider hiring tax professionals to help them with this obligatory, once-a-year affair.

It is not known how much time Malaysians spend on tax returns, but in the US, the Internal Revenue Service (IRS) reveals that the average taxpayer spends 13 hours preparing his tax return, including record keeping, tax planning, form submission and other related activities. Depending on the complexity of an individual's tax profile, the number of hours could vary widely.

Eurogain Tax Consultancy Sdn Bhd tax manager **Ng Yoke Lian**'s key clients are company directors or shareholders, sole proprietors

or partnerships (which run businesses like restaurants, hawker stalls and retailing) as well as law and architecture firms.

## Monthly tax deduction

Only about a third of her clients are those who derive income from employment. She notes that the number of employees who makes up her clientele has shrunk in recent years. She attributes this to the implementation of Potongan Cukai Bulanan (PCB) or monthly tax deduction as final tax since the year of assessment (YA) 2014, which enables employers to deduct monthly tax payments and submit the tax return on their employees' behalf (rather than employees turning in the final tax form on their own).

## Benefits of delegating the task

One of the benefits of hiring a tax consultant is guidance on the scope of tax and the expenses that are available for tax deduction, specific deduction

and double deduction, which are applicable to business owners who fill in Form B and Form P, says Ng.

You also stand to gain maximum benefit from tax allowances and incentives, save time by letting tax consultants manage tax-related matters under the self-assessment regime like computing tax, keeping the accounting records on business for seven years, as well as paying the instalment on tax estimate to the IRB every two months, she says.

One can also avoid or minimise tax penalties arising out of non-compliance with the tax laws, and can capitalise on tax planning to minimise your tax liability, Ng adds.

## When does it make sense to hire a professional for assistance?

The key consideration, she says, would be the tax savings and costs to hire a tax consultant. "Employment income is very straightforward – you just use your chargeable income to deduct your tax reliefs. You may risk not

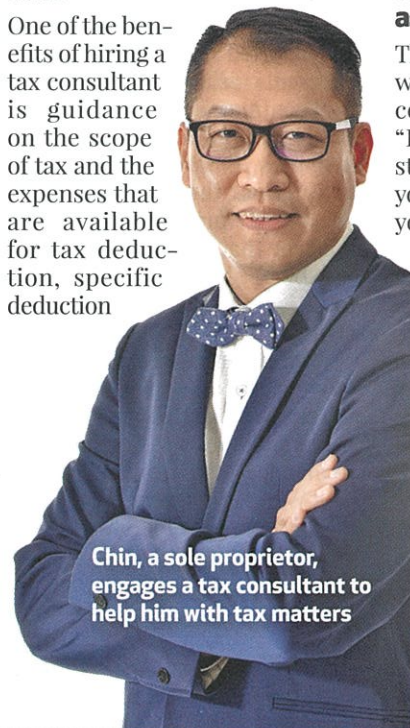
doing a 100% accurate job, but if your tax savings are just a few hundred ringgit, it is difficult to justify the consultant's fees," she explains.

According to Ng, a tax consultant's charges would depend on the type of income tax return forms, such as whether one is under employment or is an individual businessman, and the complexity of each case.

Generally, the fees range from RM350 to RM1,500, excluding bookkeeping fees (applicable to business owners who fill in Form B or Form P only), says Ng.

Meanwhile, 3E Accounting, a firm that provides professional accounting, tax and compliance services, charges individuals with salary as their sole income source a minimum fee of RM530. The fees increase if you derive income from rental and business (see table).

**Dennis Chin**, director of Harveston Wealth Management Sdn Bhd, agrees that one key consideration as to whether to hire a tax consultant is the complexity of your case. "If you receive only a salary, there's not much you can



**Chin, a sole proprietor,** engages a tax consultant to help him with tax matters

## Package fees for personal income tax services

PACKAGES AVAILABLE	FEES (RM)
Personal income tax (Forms BE/B/M/MT) submission	
➔ With salary	From RM500 (with GST RM530)
➔ With rental income	From RM1,000 (with GST RM1,060)
➔ With active business operation	From RM1,500 (with GST RM1,590)
Partnerships Form P submission	From RM500 (with GST RM530)

Source: 3E Accounting



## Being resourceful and self-reliant

**F**INANCE and accounting manager Chong Tune Foo has been filing his own tax returns for more than 10 years. There are two key factors that drive his decision – the simplicity of his case and confidence in his ability to file his tax returns conscientiously.

Chong, who derives income from employment, rental, and dividends from stock investment believes that Form BE, a tax form for Malaysian residents who do not have business income in the year of assessment, is very easy to fill. Furthermore, one can download and refer to the explanatory notes (*nota penerangan*) on the Inland Revenue Board (IRB) website when in doubt.

"I prefer to compute individual tax payable on my own not because I want to protect the privacy of my income sources, but I evaluate it based on cost-benefit analysis. Given the simplicity of my case, I don't feel the need to pay others to do it for me," says the 37-year-old bachelor.

"I only spend about 20 minutes on my tax filing – I refer to the EA form, look for the occasional expenses that may qualify



**Chong created an Excel sheet to compute his rental income every year**

for tax relief, compute my net rental income and whatever I am in doubt about, I will refer to *nota penerangan* on IRB's website," he explains.

It is interesting to note that Chong doesn't go out of his way to maximise every tax relief that he is entitled to, which contributes to the simplicity of

his taxpayers' profile. "I will only buy something based on my needs, not because of my tax relief entitlement – the tax savings are not attractive enough for me to spend money on something I don't really need," he says.

"For example, I hardly buy books (which entitles one to up to RM1,000 worth of tax relief prior to YA 2017, and up to RM2,500 in YA 2017). I will go online to search for the information I need, or attend seminars to learn instead. However, if I go for medical examination and purchase a computer that year, I will keep the receipts to claim for tax relief," he says.

He doesn't profess to be super organised – he submits his tax returns at the eleventh hour, a practice that isn't uncommon among taxpayers. However, he admits to having a system "to a certain extent", and that he knows where to look for the relevant receipts saved in different folders.

He also created an Excel sheet to compute his rental income every year. "It's the same formula – I just have to key in different numbers every year. To derive

the net rental income, I verify the latest numbers by looking at bank statements (to determine interest paid for the year), rental agreement (to look at the gross rental income), receipts for monthly management fees and general expenses related to property upkeep. I don't think it's troublesome at all," he adds.

He will continue to file his own taxes unless he becomes a sole proprietor or runs a partnership business one day. "If you run a partnership business or you're a sole proprietor, you will save lots of time by hiring a tax agent. When I choose this path one day, I will definitely hire a tax agent so I can just focus on my business," he says.

If you're an employee, it may be justifiable to have your own tax agent if you think that his fees are justifiable, or you simply have no interest in this area, Chong says. "If you don't understand how to compute tax, don't have the interest or time to learn how to do it yourself, I think it makes sense to hire a tax professional to avoid trouble with the tax authority, and the potential penalty imposed," he says.

save on tax reliefs, so you may not need a tax consultant.

"However, if a person owns numerous properties, receives rental income and owns an online business, his case becomes complicated. It would make more sense for him to look into hiring a personal tax consultant," he says.

Chin, a sole proprietor, engages a tax consultant to help with his tax matters. "To ease my workload, I hire a tax consultant. They have a software and the knowledge to file my taxes accurately and efficiently. It's difficult to achieve the same result when you file your taxes only once a year. We are not able to keep abreast of all the changes," he says.

Chin recalls paying less than RM1,000 to hire a tax consultant from a non-multinational professional firm to file taxes for him every year. Interestingly, he says less than two years ago, when he was subject to an IRB tax audit, his tax professional charged him less than RM1,000 to prepare him for the audit.

### What should you look for?

On the flip side, if you hire an inadequate or unqualified tax preparer, he or she will not be liable for the tax mistakes they make, warns Eurogain Tax Consultancy's Ng.

**Hilda Liow**, executive director, Global Mobility of PwC International Assignment Services Sdn Bhd, warns that penalties relating to tax mistakes could be high.

"If you volunteer wrongful reporting information to the tax authorities, the penalty could be as high as 35% of the underpaid tax. If tax authorities audit and find out about wrongful tax filing, it could be as high as 45% of the underpaid tax. A repeat offender



**For some of the two million active taxpayers in Malaysia, they may consider hiring tax professionals to help them with the obligatory tax filing**



**The penalty for wrongful tax filing can be as high as 45% of the underpaid tax, says Liow**

could be imposed a penalty as high as 100% of the underpaid tax," she says.

Ng advises hiring a tax consultant who understands the tax system and the tax laws that are frequently updated and amended

by the annual budget proposals, Finance Acts and public rulings.

Harveston's Chin asked for referral when he was hiring a tax consultant for himself. "I would talk to them for one or two sessions – this would help me gauge their attitude and see whether their tax knowledge is up to date," he says.

Chin observes that many tax consultants are adept at tax compliance but not tax planning. "Tax planning is more forward thinking, compared with tax compliance, which deals with tax aspects that have already happened, such as how much tax relief you can claim," he says.

"An example of tax planning is if I were to make certain financial decisions, what would the tax implication be? What's my tax savings?

"Or when it comes to real property gains tax (RPGT), should I buy a property in a company's name or my name? Many taxpayers don't think of these aspects when they do a transaction, which may affect their tax returns when you're a sole proprietor and self-employed," he says.

He also clarifies that there is a difference between a financial adviser and tax consultant. "As financial advisers, we face customers directly and are aware of their financial shortcomings. A lot of times, clients don't do tax planning and they are not tax compliant. We will ask them to look into that and do tax planning. Then, we get tax consultants to get into the details. They are updated on the change in public rulings and how to interpret the latest changes," he says. **FocusM**

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– Chin