

Our Ref: TC-DT/ IRBM/Tax Agent Licensing/  
30 September, 2014

BY Fax and Email

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Dato,

### **ENGAGING WITH INLAND REVENUE OFFICERS**

We refer to item 1(ii) of the minutes of DESIRE Meeting No.1/2014 held on 10 June 2014 which states that effective from 1 December 2014, the Inland Revenue Board of Malaysia (IRBM) will only deal with tax agents who are approved under Section 153(3) of Income Tax Act 1967 (ITA) on tax matters.

CTIM and other professional bodies have received feedback from members on implementation of the proposed practice. On behalf of the members, CTIM together with the Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA), and the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) would like to appeal to the IRBM to reconsider the implementation of the proposed practice in view of the reasons set out below;

#### **1. Recognition Of Corporate, Body Of Persons And Partnership As "Tax Agent" As Defined Under Section 153**

Tax agents are licensed under Section 153 of the ITA which gives due recognition to the fact that tax services are traditionally provided by accounting and tax consultancy firms.

Section 153(1) provides that a person who holds himself out as a tax agent, tax consultant or tax adviser is only permitted to act on behalf of any person on tax matters if he is a "tax agent" as defined in the ITA. "Tax agent" is defined in Section 153(3) as *"any professional accountant or person, approved by the Minister"*, while "person" includes a partnership for the purposes of Section 153.

The position of non-individuals is covered in the proviso to Section 153(1) which provides that a company, body of persons or a partnership may hold itself out as a tax agent if at the time of the holding out, any employee of the company, member of the body or partner in the partnership is a tax agent as defined above.

We are of the opinion that based on the proviso to Section 153(1), a company or a firm providing tax services ("tax firm") may hold itself out as a tax agent so long as it has an employee or member or partner, as appropriate, who is approved as a "tax agent" under Section 153.

2. The concerns expressed by our members are set out below:

**(a) Insufficient Approved Tax Agents**

Based on IRBM's website, there are currently 2,084 approved tax agents. With a taxpayer base of more than 2 million taxpayers, the ratio of tax agents to taxpayers is very low. We understand that IRBM would like to engage with competent tax practitioners to facilitate effective tax administration and we are supportive of that broad intention. However, the Institutes are of the view that this would pose significant challenges to the tax profession if IRBM's proposal of only dealing with individuals who are approved tax agents is implemented. We would welcome any suggestion to improve the knowledge level of the staff employed in the tax firms and would be willing to discuss ways and means of further enhancing continuing professional development initiatives by the professional bodies together with the involvement of the IRBM.

**(b) Increased Cost of Tax Services**

As the intermediary between taxpayers and the IRBM, a tax agent's time is allocated to various areas of responsibilities, such as advising clients, assisting clients with compliance requirements, engaging with the IRBM to resolve clients' tax issues, training of staff, in addition to business building and development. A tax firm would typically work in teams comprising staff of different levels of experience and seniority. Ultimately, each firm would have individuals who are approved tax agents under the ITA who are responsible in ensuring clients obtain correct advice on taxation matters. If each approved tax agent has to personally engage the IRBM at every meeting, the attention and time to be given to other areas of responsibility would be significantly curtailed. This would have the impact of increasing the cost of tax services. Thus, looking at the dynamics of the profession and the circumstances in respect of how the profession is structured, the Institutes concur with our members that the tax profession is not ready for the change at this point of time.

**(c) Impact of GST Implementation on Limited Number of Tax Professionals**

Currently, numerous tax professionals with Section 153 tax agent licence are being diverted to work on GST implementation for their income tax clients. Looking ahead over the next twelve months, the workload of these tax professionals will increase significantly, resulting in less time available for dealing with income tax matters, consequently, impacting the level of service to all clients if more time is spent on meetings, etc.

We hope that Dato will reconsider the implementation of the proposed practice by IRBM favourably based on the reasons set out above.

Thank you.

Yours sincerely,



**Aruljothi A/L Kanagaretnam**  
**President,**  
**CHARTERED TAX INSTITUTE OF MALAYSIA**

AK/pwk/lks

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