

## Chapter 3

# E-Government Policy: A Case Study of E-Filing System

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### EXECUTIVE SUMMARY

*One must admit that the emerging of faster delivery service required a faster mechanism of transaction between government and its people. But such transaction is not without issues that have to be addressed by the governments of the public sectors. The primary issues addresses by this chapter are the relationships between the perceived: security tightening, facilitating conditions, usefulness, eases of using e-filing system and users' retention. The second issue addresses by the chapter is differences in gender of the users with respect to factors that influence their state of retention. The findings of the study show a strong relationship between the predicting factors and user's intention to continuing using the system. The findings also show that the retention of users is highly affected by the differences in the gender of the users. This research would like to recommend that faster transaction mechanism between the government and the people enhances the e-governance system and in this context, this chapter is focusing on some potential implications of e-filing system of Malaysia.*

### ORGANIZATION BACKGROUND

Lembaga Hasil Dalam Negeri (LHDN) or the Inland Revenue Board of Malaysia is one of the potential agencies under the Ministry of Finance (MOF) in the country. The agency was established on 1<sup>st</sup> March 1996 and has been charged with collection of revenues in the country. It was

established in accordance with the Inland Revenue Board of Malaysia Act 1995 and the Income Tax Act 1967 to enhance the quality and effectiveness of tax administration. The agency also act as an agent of the Government and provide services in administering, assessing, collecting and enforcing payment of income tax, petroleum income tax, real property gains tax, estate duty, stamp duties and any other taxes as may be agreed between the Government and the Board. The agency has also

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been charged to participate in or outside Malaysia in respect of matters relating to taxation and advice the government accordingly. It also extends its function by liaising with the appropriate Ministries and statutory bodies on taxation matters and acts as a collection agent for and or behalf of anybody on matters relating to the recovery of loans due for repayment under any written law.

### **Corporate Culture of IRBM**

The Inland Revenue Board of Malaysia has been known to be the foremost tax administration agency and the best government income tax representative body in the Malaysia. The overall corporate culture of IRB can be envisaged from creation of a just, transparent and respectable tax management system. The vision of the board includes sensitivity to the welfare of its employees, career advancement opportunities for each employee and recognition of individual excellence. It is part of the Board's corporate culture to be committed towards excellence achievements and/or efficient client service provider. It also committed to a high degree of fairness of the country's tax system. IRB also focuses on continued improvements through development of appropriate skills and efficient workforce that is equipped with the high level of professionalism. Board vows to constantly upgrading income tax administration to become easier while simultaneously simplifying tax laws. The agent believes in offering fair and transparent service to people in the country at all time and always strive to encourage voluntary compliance of the taxpayers (see: [www.hasil.gov.my](http://www.hasil.gov.my)).

### **Taxation Policy in Malaysia**

Under the Malaysian tax policies, income tax is a fact of life and compulsory for resident that is due for its payment. However, Malaysian taxation policy is quite brightening and exciting for many reasons. *First* there is no capital gains-tax in the country. *Second*, there is no gift, inheritance nor

estate taxes in Malaysia as well. *Third*, even the only capital gains tax in Malaysia related to the Real Property Gains Tax has been withdrawn for disposals made on 1 April 2007 (see: Budget Commentary & Tax Information 2009, PWC Tax Booklet 2007-2009).

Income tax in Malaysia is 'territorial' in nature because only income accruing in or derived from Malaysia is taxed. In other word, other form of incomes such as foreign remitted income into the country whether by resident or non-resident is exempted from taxation policy system. Generally speaking, there are several categories of income tax as described and delineated by section 4 of the Malaysian Income Tax Act, 1967. These categories include: gains or profits from business; income from employment; dividends interest and discounts; rents, royalties or premiums; pensions, annuities or other periodical payments; and gains or profits not falling under any of the above.

### **Manual Income Tax-Filing of Returns**

Before the implementation of e-filing system in Malaysia, tax filing returns used to be done manually under a Self Assessment System (SAS). The taxpayer him/herself is responsible to correctly compute manually the amount assessable on a form and file the return to the Inland Revenue Board of Malaysia (IRBM). He or she then makes payment of any tax due and payable within the stipulated deadline to the respective IRBM's branches in the country. There are two categories of manual income tax returns forms. The first is employment income delineated as Form BE while the second is business income and/or other income form known as Form B. The due dates are usually 30<sup>th</sup> of June for business income tax purpose and 30<sup>th</sup> of April for non-business income tax every year.

### **Chargeable Income Tax**

The chargeable income tax is described as tax residency. Individuals are regarded as tax resident

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