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🕒 Tuesday, Oct 15 2019



KUALA LUMPUR: There is a huge shortfall in the country's tax revenue thanks to the shadow economy that now accounts for an estimated 21% of the gross domestic product.

Finance Minister Lim Guan Eng (pix) said this loss was most obvious on the streets of Kuala Lumpur where foreigners, instead of locals, were the ones who were conducting all the business.

"They may have a deal with a local to use his business licence and they are not paying taxes. If we can ensure that they pay taxes, it will be a big boost to the national coffers," Lim said after opening the National Taxation Seminar 2019 organised by the Inland Revenue Board (IRB) today.



He said the IRB would be asked to intensify its enforcement activities. This may help broaden our tax base if these people can be included in our taxation system,” Lim added.

He said that while such business activities were not allowed under the law, those involved should pay taxes, too.

For instance, he said, those who gained from the 1Malaysia Development Bhd scandal had a duty to pay taxes, and it was up to the court to decide what they did was right or wrong.

“We aim to collect taxes from those involved in the shadow economy,” he said.

“If we can find ways to ensure this group is taxed, it will be an important base for the government because the tax revenue will go up,” he added.

Lim said the introduction of the Tax Identification Number for those above 18 in 2021 was one way of tackling this issue but whether there was a need for new law depended on recommendations from the IRB.

On whether any minister fell under the taxable income bracket of 30%, Lim said all of them had declared their income. “If they fail to do so, they can be charged under existing laws,” he said.

He also pointed out that ministers were not allowed to engage in business and they depended only on their salaries and allowances.



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