

Time to file your taxes

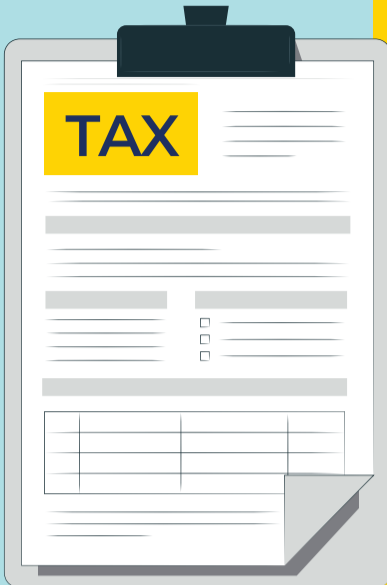


What is income tax?

Income tax is a system of taxation imposed on individuals or corporations by governments, and these funds are then used to finance government activities and services. In most countries, it is the main source of revenue for the government. Taxation rates are different between countries.

In Malaysia, we have a progressive tax, which means that the amount of tax paid increases as your income increases. There are also special rates for certain types of income such as dividends and capital gains. Also, individuals or entities are taxed only on incomes earned within the country.

The income tax system in Malaysia began in 1948 during the British colonisation. It was introduced to legitimise the collection of taxes from individuals and corporations. The first income tax legislation at that time was Income Tax Ordinance 1947.



If you're a first time taxpayer, you're probably a little nervous about the process of filing your taxes. But you need not worry at all, because e-Filing has made things a whole lot easier than before. Just key in all your details and the numbers asked for, and the system calculates your taxable income for you! All the same, here are some quick facts so you're up to speed with the whys and hows of filing taxes.

How to use LHDN's e-Filing

All you have to do is follow these simple steps:

- Obtain your Tax Identification Number (TIN) or also known as the Tax File Number (TFN) by going to <https://mytax.hasil.gov.my/> and clicking on e-daftar. You can also register for TIN/TFN at any nearest LHDN office. If you're doing your registration online via e-Daftar, then go ahead and click on "Daftar Individu" on the website. You will have to fill in an online registration form which is extensive, so make sure you have all the necessary information about yourself as well as your current employer.
- This form will need to be printed out and taken to your nearest LHDN branch – where you will be given a first-time login PIN. Alternatively, you can apply for it via the LHDN Customer Feedback website (<https://maklumbalaspelanggan.hasil.gov.my/Public/>). The PIN number is a single-use code only, and is meant for first-time logins – subsequent logins will require a password that users set.
- Gather all the necessary documents such as your EA Form (super important!), receipts for purchases like books, internet subscription etc, and other relevant supporting documents for any tax reliefs you are claiming.
- Determine your tax status, i.e. resident or non-resident taxpayer, and assess whether you are eligible for any tax exemptions or reliefs.
- Login to e-Filing and complete first-time login, including coming up with a security phrase.
- Once you've successfully registered as a taxpayer, created an account for e-Filing, and completed the first-time login procedures, you can proceed to filing your taxes for the year.
- Using the correct form: (i) declare your income; (ii) key in tax rebates, reliefs and exemptions; and (iii) calculate the total tax payable; then (iv) pay what's owing (or receive a tax refund!) and digitally sign the form, save it and file it away.

The first time may be a little tedious, but it gets much easier in subsequent years. All you have to do it remember your password! It will be helpful to start a physical tax file to store all the relevant documents you need, as well as your password, and photocopy all your receipts (in case they fade over the course of the year) and keep them in one place so that filing your taxes next year becomes easy as ABC.

Annual Income
> RM34,000

Who needs to pay taxes?

According to the Lembaga Hasil Dalam Negeri Malaysia (LHDN) or Inland Revenue Board, Malaysian employees are required to pay taxes if they earn an annual income of at least RM34,000 (after deductions for your Employees Provident Fund, EPF, or Kumpulan Wang Simpanan Pekerja, KWSP).

When should you file income tax?

The deadline for filing your taxes online is April 30 every year, with exceptions in unusual circumstances such as during the pandemic when the deadline was extended. Individuals who earn income from business have until end of June. Penalties will be imposed for not filing your taxes on time. E-filing is simple, and you can easily do it from your own home anytime before the due date, so don't wait for the last minute, in case you have difficulties with the Internet network or other emergencies that may slow you down.



What are tax reliefs?

Tax reliefs are provided by the government to reduce your chargeable income. Examples of exemptions from tax include medical and educational expenses as well as childcare costs.

Personal deductions include RM9000 for individual and dependents, RM6000 for disabled individuals, RM5000 for disabled spouse, RM4000 for payment of alimony and RM7000 for education fee.

There are also lifestyle, medical and equipment exemptions: RM1000 for domestic travel expenses,

up to RM2500 for the purchase of reading materials, personal computer, smart phone, internet subscription and gym membership.

There are also exemptions for children and life insurance. For a full list of tax reliefs go to <https://www.hasil.gov.my/en/individual/individual-life-cycle/how-to-declare-income/tax-reliefs/>

Want more? Go to <https://www.hasil.gov.my/en/individual/introduction-individual-income-tax/>

