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Workers who will get tax waiver next year

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EMPLOYEES who joined the workforce after January 1 1995 and those working in Sabah and Sarawak will be exempted from the monthly Schedular Tax Deduction (STD) when the tax waiver is implemented next year.

Meanwhile, the income for the rest of the workers who have been working before January 1 1995, will continue to be deducted next year under STD for tax payments on income earned in 1998.

Based on 1997 figures, there are 320,000 employees who commenced employment after January 1 1995 as well as those working in Sabah and Sarawak. The rest of the taxpayers comprises 800,000 employees.

The STD system was implemented on January 1 1995. The income of the workers who commenced employment after January 1 1995, which deducted under the STD system are for the tax payments on income derived in the same year.

"For employees who commence their employment after January 1 1995, the income deducted under the STD are tax payments on income derived in the same year.

"The employees in Sabah and Sarawak are also having their salaries deducted for the tax payments on income earned in the same year as the STD system in Sabah and Sarawak was in force since income tax laws were introduced in 1956 and 1960, respectively," Inland Revenue Board (IRB) assistant director general (operations) Hasmah Abdullah told a news conference in Kuala Lumpur yesterday.

For those who are exempt from a salary deduction through the STD system, will join the others in having their salaries deducted in the year 2000 for that year's income tax.

As such, all local employees will be on the same "level" in the year 2000 when everybody who are liable to income tax will be taxed for the income earned within that year, based on the pay-as-you-earn system.

The tax waiver incentive which was announced by Prime Minister Datuk Seri Dr Mahathir Mohamad in 1999 Budget in October, however is not applicable to non-resident or foreign employees.

Second Finance Minister Datuk Mustapa Mohamed has estimated that the 1999 tax waiver will cost the Government RM494 million in foregone revenue.

This year, the Government is expected to collect RM24 billion in income tax collection, compared with RM31 billion last year.

Hasmah said the board will send list of employees who commence employment after January 1 1995 together with notification to stop the STD, to employers in the Peninsular Malaysia.

"Employees who commence employment after January 1 1995, but not in the list, will be given letters from the IRB to forward them to their respective employers to stop the STD.

"If these employees do not receive any notification from the IRB, they are advised to contact the Employment Services Unit of the nearest IRB branch office," she said.

For the purpose of determining their actual tax liability in 1999, she said the group of workers whose salaries will not be subject to STD next year, are required to declare their income for 1998 by submitting the Return Form for Year of Assessment 1999.

Likewise, although the income tax is waived in 1999, all taxpayers are required to declare their income for that year in the Return Form for Year

Assessment 2000.

Hasmah explained that the income derived from the basis period 1999 means "income arising" and does not necessarily mean income received in the year 1999.

"This is because income received in 1999 but relates to employment or business transactions in the year 1998 or prior years will be subject to tax in the year the income arises and will therefore not be waived from income tax.

"For example, compensation received in year 1999 for cessation of employment which took place in 1998 will be considered as income for 1998, and not income for 1999," she said.

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