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**MICPA
15 JALAN MEDAN TUANKU,
50300 KUALA LUMPUR,**

Attention : Ms Tan Shook Kheng

By Fax/Post

Dear Sirs,

Re : NEW PROCEDURES FOR APPLICATION AND RENEWAL OF APPROVAL AS TAX AGENTS

I refer to the Circular No. TEC/001/01/2006 which touched on the above subject matter and would like respond to your invitation of our comments.

Apparently, the new procedures were introduced as a result of the amendment to the Income Tax Act 1967 as announced in the latest national budget where the approved company auditors do not automatically qualify as approved tax agent anymore.

For existing auditors(with audit license granted before 1 January 2006), they will be allowed to act as approved tax agent until the audit license is due for renewal where they will need to apply for renewal of tax agent license separately like any other tax agents who qualify other than by virtue of being auditors.

For auditors who obtain audit license from 1 January 2006 onwards, they will need to apply for the tax agent license separately and satisfy the conditions imposed.

Below are my comments after perusing the 'Panduan Bagi Permohonan Baru dan Pembaharuan Kelulusan Sebagai Ejen Cukai'

A) Qualification and Experience Required For New Application(Lampiran A)

Inconsistency noted:

- Accountants (item 1 & 2) are generally required to have 5 years of practical working experience in taxation with government or private sector **after** completing their degree or obtaining their professional membership
- For certain other category of persons such as item 4, 6 & 7(MIT members), experiences to be considered is not restricted to after the relevant qualification.

There is no definition of 'practical experience in taxation with government or private sector'. The application form requires a list of work performed and confirmation letter from the employer. It is not clear although it looks like if your experience is only as auditors, you may not fulfill this condition. If this is the case, all new auditors will not likely be able to become tax agent. I don't think any one who is applying for audit license has had 5 years tax practical experience post qualification. So, they can not provide tax services unless they have a tax partner or appoint a manager who qualify and agree to act tax agent. The practical issue is what if the Tax Manager resigns? It will appear the only practical way is to qualify under item 6 ie to take and pass the Tax Agent Course organized by IRB. The intention can never be so clear.

Suggestion:

- 1) The 5 years experience required for accountants group should not be restricted to post qualification only. If it can be shorten to say 3 years, it will be better
- 2) The accountants group is further divided into auditors and non-auditors. Those with audit license, a lesser requirement should be imposed. Perhaps, after 3 years practicing as auditors, they can qualify to apply for tax agent.

B) Requirement on attending latest Budget Seminar organized by LHDN

Firstly why is this required if I can read the budget proposal myself and is able to understand what is in the budget. If I don't read and just attend the said seminar, I might be less informed.

Secondly, if at all attending such budget seminar is important, why it is only restricted to those organized by LHDN. What about those organized by the professional bodies? Their seminars and speakers are of lower quality?

Suggestion:

No such requirement is needed or if needed the budget seminar organized by accounting and taxation bodies (to give a list) should also be recognized.

C) CPE Requirement

CPE requirement is very good and should be supported and accountants should have no problem in fulfilling this as we also have CPE requirement to maintain our membership. The problem with Lampiran B are :

- a) it is not stated if the seminar/workshop/article is only on taxation subject. I will take it that it means this. (but it is stated that the book writing is on taxation subject).
- b) Why the seminar/workshop organized by MICPA, the only premier local accounting professional body who has contributed so much to the development of accounting and taxation field in Malaysia over the past 30 years is not recognized. But those organized by MIA and MIT are recognized. Same for publication of articles.

Suggestion:

- a) to clarify if the seminars and articles are only on taxation subject
- b) to request for MICPA to be recognized (if we can not be recognized, we should cease from contributing to relevant parties anymore)
- c) generally, due consideration should be given to the fact that accountants who are members of professional bodies are already required to meet their respective CPE requirement. That's why there is no such requirement for audit license renewal.

D) List of work done

The questions are:

- a) it does not state whether all should be listed or only the major ones and the period covered (especially for new application)
- b) if all it will mean we are giving them our client list (for renewal case)
- c) why is this required in the first place as LHDN should have their own. database on who are tax agents and their clients as we are required to sign in the Form C and Form B/BE. Bahagian Analisa Cukai should be able to request the data from LHDN. Why double work?

E) Interview

1 Guideline on the interview itself

There is no guideline issued such as who are in the panel of interviewer and the areas to be covered in the interview. This is very important to ensure transparency and objectivity.

2. Interview for new application

No problem for this as it is the same for audit license

3. Interview of renewal

Why is this required when audit license renewal is not subject to interview. As renewal is every 2 years, this requirement will also create a lot of unnecessary additional work for many people. Resources should be put to better use. I think the CPE requirement and the list of work submitted are already sufficient for the agency to decide whether a tax agent should be renewed. In addition, a list of 'black listed' tax agents can be requested from LHDN.

Suggestion:

- a) no interview is necessary and hence required for renewal as it can not guarantee transparency and objectivity. There are many other mechanism that can be designed and used to identify tax agents who should be terminated.(need not wait until renewal). It is not practical and it is a waste of resources.

Overall, the guideline is far from well drafted. A number of relevant issues are not addressed adequately and there seems to be an element of bias as well. More importantly, the status of MICPA is further degraded with this new guideline if it were to remain. As such, I will strongly support the Institute to take all action deemed necessary to pursue for the necessary changes to be made on the guidelines so as to protect the interest of its members, the accountants profession in general and also the Institute's status itself.

As a member of the Institute, I will be happy to try my best to offer my assistance if required.

Yours truly,

Goh Kean Hoe(3140)