

# Manage your tax effectively

A financial expert tells **Aneeta Sundararaj** how

IT'S that time of the year again when you need to compute the tax payable to the Inland Revenue Board. Hearing the word tax itself may bring on a headache if you pay heed to the advice of Dr Tan Thai Soon, managing director of TST Consulting, but getting it well-figured out would be particularly good for your purse.

"In the last 20 years, the country's economy has moved from agricultural-based to manufacturing-based," says Tan. "In this new millennium, there has been further movement towards a knowledge-based industry."

As Tan sees it, Malaysian entrepreneurs, particularly those in the small and medium enterprises (SMEs) have an important role to play to help the country become a fully developed nation and join the ranks of high-income economies.

The Malaysian government is aware of this trend and wants to improve the quality of their resources, namely, human capital.

"It is important for people, especially those in the lower and middle income group, to do proper tax

planning. The aim is to help them increase tax savings and increase disposable income," says Tan. Looking at today's high costs of living, Petrol, which was previously only RM1 per litre, is now close to RM2. Food has also become expensive."

Tan illustrates how an employee can manage his taxes.

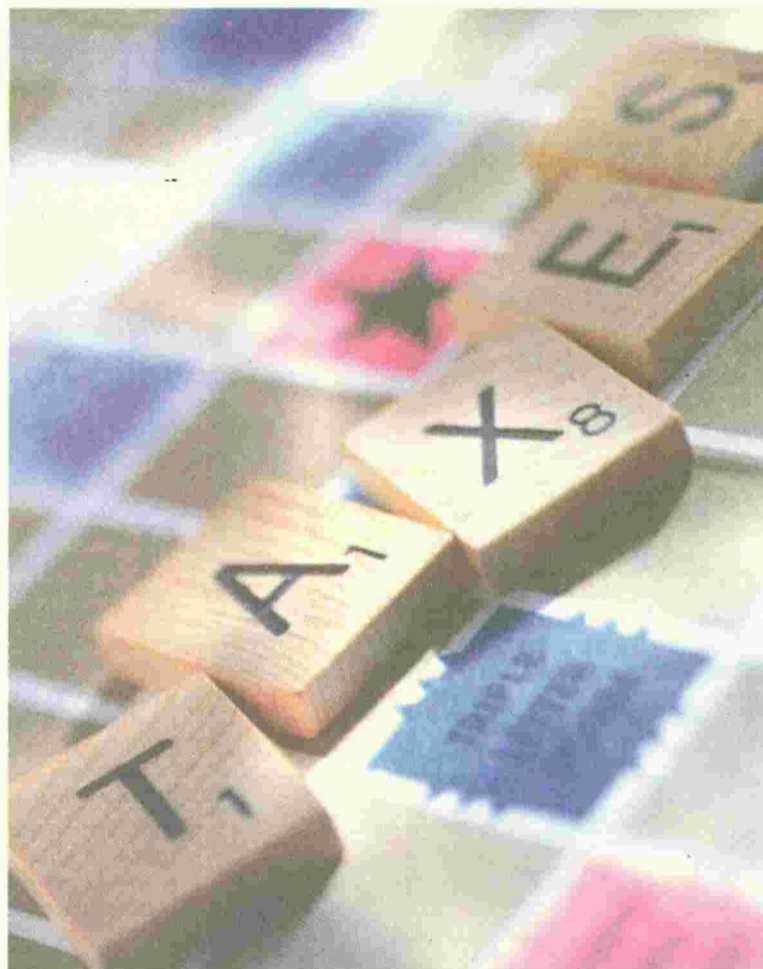
Say a company offers to employ you for a senior manager's post. During the interview, the salary offered is RM150,000 per annum. Instead of jumping at the chance to accept such a salary, Tan advises you to renegotiate this and come up with a remuneration package instead.

"Start with the Pension Fund or Retirement Planning," he says. "Opt for a higher EPF contribution or even a retirement fund. Ask the employer to pay up an additional six per cent towards your EPF. So, instead of paying 13 per cent, the employer will pay 19 per cent."

Next, look at the benefits in kind (Section B2 of the EA Form). Here, the employer can give you tax-exempt benefits such as a driver, gardener or household servant.

In the part of the EA form called Section G, Tan talks about Perquisites, which is defined as an extra profit or allowance addition to a main income. The employee is allowed to declare things like travelling allowance in exercising his employment, meal allowance, child care allowance, subsidies on interest for housing loan and monthly payment for subscription of broadband services.

A little known fact is that there is a whole list of perquisites that don't need to be declared at all. These include things like medical and



dental treatment, traditional medicine, maternity leave and medical insurance.

Tan says: "Instead of asking for a bonus, which is taxable, it's wiser to ask for something that can be classified as a perquisite." Needless to say, as with amenities and benefits, there is a ceiling as to how much you can

claim for these perquisites.

Let's return to the scenario where you've been offered a salary of RM150,000. If you're wise, the new salary you're willing to accept, exclusive of all the amenities and perquisites allowable, will come to approximately RM75,000. This means that instead of paying tax

## Effective Tax Planning

**What:** One-day workshop that covers many aspects of individual tax planning and tax exemption on employment income.

**Course facilitator:** Dr Tan Thai Soon

**Who should attend:** Individuals, entrepreneurs, company directors, human resources and finance managers, accountants, management staff, company secretaries

**Fee:** RM130

**When:** March 24

**Time:** 10am to 4pm

**Where:** NSTP seminar room, Ground Floor, Balai Berita 31 Jalan Riong, Kuala Lumpur

**Contact:** 03-2056 9692 or vganesan@nstp.com.my

on the initial RM150,000, your taxable income has practically been halved.

While this is all very well and good for the employee, employers are unlikely to be that generous to their employees. "Yes, many employers, especially the HR department, complain about this and also the added paperwork," admits Tan.

The fact of the matter however, is that employers in SMEs can no longer afford to neglect the welfare of their employees. If they do, such is the trend that employees will just leave the job and seek better prospects elsewhere. It's the SMEs that'll lose out and ultimately, the economy will not be able to fulfil its desire for economic growth.

## Insure your dream

CLOSE your eyes and imagine this: You're holding your newly published book. You run your fingers over the beautifully crafted dust jacket. You can't believe that you came up with some of the sentences in the book. Then you stop reading because you realise that you're now 20 years older. You realise that it has taken that long to save enough money to publish a book.

Then you open your eyes and you realise, with a heavy heart, that this dream of being a published writer may remain just that: a dream.

Well, it doesn't have to be this way. It is possible for people to achieve their dreams sooner than they think, says ING Insurance Berhad head of retail business development Mak See Sen.

Using the example above, he says: "Sometimes people know the story they want to write, but they don't know how to write it. They want a ghost writer or even an editor. But this is going to cost them. That's where we come in. We can help them plan and save. Perhaps in

five years, they could get their book published."

What if your dream is a little fancier and you're prepared to wait longer to achieve it? If you'd like to own a Harley Davidson in 10 years, for instance, ING Malaysia chief managing officer Joos Louwerier suggests an insurance package tailored for those in their 20s and early 30s. It could be a package that offers an additional option of saving even more money towards achieving their dreams, or one with an affordable premium of, say, RM250 per month.

The creation of this series of packages comes from the realisation that many young people have big dreams but they don't plan financially to achieve them. Even if they do make plans, the options for investing aren't tailored to meet such needs. This, in turn, means that their dreams will never be realised.

So, this series of packages aims to address that problem, leveraging on Facebook to engage with potential customers.

Facebook? "Insurance," admits

Louwerier, "is perhaps one of the furthest things on people's mind when they visit Facebook. But many use it to find out what their friends and community members think about certain products and services, including financial information."

Phua Eng Sua, a financial planner, emphasises the need to plan one's finances, saying: "Many people don't properly plan for their future. Some people open their dream bookstore and put so much money into it. What happens if the bookstore doesn't make money? What happens if they fall sick and cannot run the shop?"

Well, the premium you pay for an insurance package will not only help you build that dream, but also protect your savings and provide for your family should you become ill or die.

Phua concludes: "What we're doing is encouraging people to do something today to achieve their dreams. We're advising them to pay a minimum fee for protection. Whatever extra they pay will be an investment." **Aneeta Sundararaj**

