



MY TAX AGENT SAVED ME MILLIONS...OR DID HE?

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This case was written by Aryati Juliana Sulaiman, Nur Azliani Haniza Che Pak, Hafizah Abd Mutalib and Muhammad Rosni Amir Hussin, Universiti Utara Malaysia. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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Introduction

Mr. AK, the CEO of Proactive Furnishing Sdn Bhd (PFSB), was having a luncheon with his friends at an exclusive restaurant in Kuala Lumpur. It was a get-together event, as they had not seen each other for almost two years. The precious time was used to ask and to hear about their whereabouts, exchanging stories of their lives during a couple of years. It was a pleasant afternoon, and for a moment, Mr. AK had forgotten about his problem. His friends were his colleagues during his days as a lecturer in one of the prestigious public universities in the Klang Valley. Meeting them up brought such lovely memories, and to cope with their current stories seemed to enlighten Mr. AK from the burden that was hanging over his head. His business in Penang was doing very well, except for the problem.

"Now, AK. Tell us your story. How's business? Does the IRB still on your tail?" asked one of his friends, followed by friendly laughter by the others. The word "IRB" suddenly caught him off guard. He carefully phrased his sentence. "That is the problem, I believe". The chuckles of his friends faded, and everyone was listening attentively. "I believe I could not depend on my tax agent. He is not helping me out. My business had been taxed for millions during the last three years. The amount was ridiculous. That's all I can say". He concluded his explanation with a friendly smile. "Oh, sorry to hear that", replied his friend. "Have you heard about tax planning? Businesses may get tax deductions if they plan their tax well. My meaning is, there are some areas where SMEs can make benefit from their tax. Maybe you can ask some of our taxation lecturer friends". Mr. AK gave a thought. "Yeah, why not. I think I still have the contact numbers of some of them".

The luncheon continued without any mention of business problems. They enjoyed their meal and bid each other farewell. Mr. AK took a cab to the airport and checked in himself for his evening flight. While waiting at the boarding area, he scrolled his cellphone to find the numbers of his taxation lecturer friends.

His business was very dear to him. He quit his job as a lecturer two decades ago to become an entrepreneur. PFSB produced furniture, and the main income comes from the rental business, where the company provided rental services to residential colleges in higher learning institutions. Besides the rental service, PFSB also sold its furniture through many mediums such as (1) sold directly from its showroom; (2) through online platforms such as Lazada and Shopee, and (3) during exhibitions and competitions. The furniture produced by PFSB ranged from office furniture for workspace, house furniture for the housing project and medical furniture for hospitals and medical universities.

His business had gone well for the past two decades. However, Mr. AK was not happy with the tax charged by the Inland Revenue Board (IRB) for the past three years. For him, the tax amount for the year of assessment 2017 - 2019 was absurd. "No one likes paying tax what more a huge amount of tax. I understand that paying tax is our responsibility to the nation but what I had to pay is too much!".

With the Covid-19 pandemic, it had been a blessing in disguise for this company where most of its customers decided to extend the rental period. This was due to cost-saving compared to if they were to purchase the furniture and incur the maintenance cost. This would result in higher income and eventually, higher tax liability for future years of assessment. The tax agent hired by the company was not helpful in assisting Mr. AK on the strategies of how to reduce the tax amount. In addition, the account executive, Noni had very limited knowledge of taxation as she was a fresh graduate with little experience. He recalled his friend's word about tax planning during the luncheon earlier, and he

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