

Wk. 1 - What is Tax?

Tax - compulsory extraction of money by the government

What is it used for?

- Public goods e.g. police & legal system (the market fails to provide public good b/c:)
 - non-rival consumable
 - non-exclusion of people not prepared to pay
- Merit goods - goods that are deemed 'beneficial' e.g. education
- Wealth redistribution
- Economic stabilization

Elements of a tax

- Tax base (subject of the tax)
 - Income
 - Poll - levied on each person in the population at a fixed rate per person
 - Wealth - based on net wealth
- Tax rate
 - Flat
 - Progressive
 - Regressive - tax falls as income increases
- Taxpayer
 - Direct - can't be passed on to another person e.g. income tax
 - Indirect - can be passed on to another person e.g. consumer tax

Modern criteria for taxes

- Simplicity
- Certainty
 - Incidence - who will bear the burden?
 - Liability - Is it easy and accurate to assess it?
 - Evasion - Is it hard to evade?
 - Fiscal marksmanship - are the figures and predictions accurate?
- Efficiency
- Neutrality
 - Tax should be non-discriminatory
- Equity
 - People should pay their taxes based on their capacity of paying taxes
 - Horizontal - People with equal capacity to pay tax should be treated equally
 - Vertical - Those with different capacities to pay should be treated differently
- Sustainability
- Policy consistency

Wk. 2 - Income Tax around the World

Indonesia

- Basis
 - Residents - all sources
 - Non-residents - Indonesian derived income
- Taxable income = (AI - AD)
- Taxable persons - Individuals or companies, partners
- Tax year - 1st January to 31 December

- 30% flat tax rate above 500m RP
- CGT - Normal business income
- Withholding
 - 20% of dividends, interest and royalties

HK

- Operates on a territorial basis - doesn't tax income or capital gains by reference to the residence of the taxpayer
- Tax year - 1st April - 31st March
- Three taxes: profits, salaries, and property
 - Profits (corporations) - 16.5%
 - Profits (individuals/uncorporated business) - 15%
- No GST or CGT
- Losses from trade or business can be carried forward indefinitely
- Withholding tax for non-residents
 - Royalties - 4.95% or 16.5%

Malaysia

- Tax year - 1st January to 31st December
- Income tax is based on income accruing or derived in Malaysia
- Taxable persons - individuals, companies, trusts, executors & administrators, Hindu joint families
- Top tax rate is 25%
- No CGT, gains on disposal of real property are subject to real property gains tax
- Business losses can be offset against all other sources of income
 - Business income accrues or is derived when its receivable
- Withholding
 - Interest paid to a non-resident - 15%
 - Interest paid to a resident that is subject to double tax agreement w/ MY - 0-15%
 - Royalties and rents - 10%

Singapore

- Tax year - 1st January to 31st December
- Corporate tax rate - 17%
- Income tax is based on territoriality or receipt
- Same taxable persons as in MY
- Non-residents: 20% flat tax rate; employment income at the higher of 15 or the resident rate
- GST is 7%
- No CGT but CG may be deemed income if derived from activities of a trade or business carried on in SG
- Trading losses offset against all income received in the same accounting period or carried forward indefinitely
- Withholding tax
 - Interest - 15%
 - Dividends - Nil
 - Royalties - 10%

Capital Gains Tax

Australia

- Assets acquired on or after 20th September 1985 subject to CGT
- Not a separate tax, but rather integrated into the system