Chapter 6:

Keeping Up with Changing Tax Laws

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ABSTRACT
Frequent changes in tax laws present both challenges and opportunities for tax consultants and businesses. Economic, political, and social factors drive these changes, affecting compliance, financial planning, and corporate strategy. Tax consultants must continuously update their knowledge to provide accurate guidance, while businesses need to adapt to avoid penalties and leverage new incentives. Although regulatory shifts can impose compliance costs and increase operational complexities, they also create opportunities for strategic realignment and advisory growth. The article explores adherence, financial changes, and strategic decision-making as it examines the effects of tax law changes on consultants and businesses. Recommendations have been made to improve adaptability and reduce challenges in responding to new regulations.

Key Words: Tax Laws, Compliance, Business Adaptation

1. INTRODUCTION

Tax law changes refer to alteration in the regulations and statutes that control the administration, enforcement, and collection of taxes. These changes can occur at various levels, including federal, state, and international, and can impact individuals, companies, and other entities.

Alterations are frequently proposed to prevent tax fraud and enhance compliance. This consists of updating tax laws to reflect changing tactics for tax evasion (Alm, J., 2023; 2021; Etel L., 2020; Kasipillai, J., Aripin, N., & Amran, N. A., 2003). Tax laws also frequently need to be changed in response to shifts in the economy and technological breakthroughs. For instance, changes have been made to deal with new revenue streams and transactions as a consequence of globalization and the rise of the digital economy (Etel L., 2020).

Despite the objectives of these changes are to prevent fraud, enhance compliance, and respond to the new economic conditions, they also bring challenges such as heightened complexity and possible negative economic effects (Al-Otaibi, M. I., Nor, N. M., Yusri, Y., & Guzaiz, N., 2024; Alm, J., 2023). In addition, changes to the tax law have had an enormous impact on tax consultants and businesses. As tax consultants play a crucial role in managing tax obligation for their clients, making it challenging for tax consultants to stay compliant (Ndlovu, M. O., & Schutte, D. P., 2024; Yoga, I., Prama, G. A., Nida, D. R. P. P., & Yudha, C. K., 2024). The need for continuous education and training on the latest tax laws is critical to avoid penalties and maintain client trust.

Frequent changes necessitate ongoing observation and process realignment. Businesses have to commit both resources and time to monitoring changes in the law, updating their internal processes, and ensuring that compliance remains in place as a way to avoid penalties (Hesami, S., Jenkins, H., & Jenkins, G. P., 2024; Nembe, J. K., & Idemudia, C., 2024). Management teams could become overburdened as an outcome of the increased workload, demanding more hiring or outsourcing. In reaction to frequent tax laws changes, businesses have to adjust their strategies, which can affect economic efficiency, employment, and investment.

2. LITERATURE REVIEW

Changes in tax laws have been influenced by various factors, including economic, political and social.

Economic
The Global Financial Crisis (GFC) and the COVID-19 pandemic are two recent examples of economic downturns that frequently prompt governments to change tax laws in an effort to promote recovery. In order to prevent severe disruptions, significant policy adjustments must be implemented during economic volatility (Jakobsen, K., 2023). This is due to increased pressure to redesign tax strategy to stimulate growth and to reduce growing deficits.

Tax law adjustments also must be conducted when changes in inflation and interest rates. People may experience *"bracket creep"* as a result of inflation, where their income increases but not considerably improves their purchasing power. This will lead to people paying higher tax even though the real purchasing power is not significantly increased. Therefore, policymakers may adjust tax incentives to promote economic activities that align with new interest rate environments.

Political
This factor may lead to change in tax laws due to policy shifts because political dynamics significantly influence tax law changes. Governments may seek to implement reforms that reflect their ideological stance, such as increasing taxes on the wealthy to address income inequality or reducing corporate taxes to promote business growth. For example, in Malaysia the government plans to expand the scope of SST starting in May 2025 with the aim to cut the deficit to 3.8% and raise revenue with new taxes. The government also introduced a 2% tax on dividends for income exceeding RM100,000 (Yeo, E., 2024). This can make the individual income tax structure more progressive by targeting high earners and to balance economic growth to avoid inequality between rich and poor (Deloitte, 2024).

Social
Increase in the awareness regarding the environmental issues has led the government to implement new strategies as part of their commitment to sustainability. For example, the government plans to introduce a carbon tax on iron, steel and energy industries by 2026 to encourage the use of low carbon technology (Ikram, I., 2024). The purpose of this tax is because of the aims of Malaysia to achieve net-zero greenhouse gas emission by 2050 and reduce carbon footprint by investing in environmentally friendly practices. Hence, the government will provide various incentives in promoting investments in green technologies and sustainable practices. For example, the government has proposed Green Investment Tax Allowance (GITA) by providing a tax allowance of 100% on qualifying capital expenditure to approved green technology assets. The government also provides Green Income Tax Exemption (GITE) by offering 70% income tax exemption in qualifying income derived from green technology services like solar leasing activities and support for electric vehicles (EVs).

3. DISCUSSION

The effects of the change in the tax laws
Changes in tax laws can significantly impact the role and practices of tax consultants, necessitating the expertise of tax consultants to navigate new regulations and ensure compliance. For example, they must accurately understand the implications of new capital gains tax regulations because it is crucial to advise the clients regarding their tax liabilities. Therefore, the tax consultants are required to have professional development as mandated by the Chartered Tax Consultant (CTC). This requirement is to ensure the tax consultants remain knowledgeable regarding current tax laws and practices. Hence, it can avoid the company being faced with penalties and can maintain the public trust in the taxation profession.

Apart from that, implementing changes to the tax laws can be challenging. The tax consultants must adapt their processes and systems in order to comply with the latest requirements. For example, The Inland Revenue Board of Malaysia announced that electronic invoicing, or *e-invoicing*, would become mandatory, and it is expected that electronic invoicing will ensure tax compliance and enhance business operations (Lastiri, L., 2024). However, as it will take time to comprehend the current laws, some businesses may face certain difficulties while implementing electronic invoicing. Consequently, it is crucial for tax consultants to remain up to date on new software in order to demonstrate to their clients on how to utilize it efficiently. Despite the fact that the new software is complicated and requires time to learn, the business will benefit from it as it can enhance cash flow by reducing billing errors, integrating tax filing and streamlining operations. Tax consultants must ensure that their clients are prepared for these changes, which may involve significant adjustments to taxation software and processes.

In addition, it will increase workload and stress, particularly for tax consultants who must constantly monitor changes in tax laws by reviewing new public rulings, compliance requirements, and exemptions. Their daily responsibilities will require them to stay up to date with frequent alterations in tax laws, and during peak tax seasons, they must meet strict deadlines to prepare accurate tax returns while maintaining compliance with recent developments. High levels of stress can have an adverse effect on mental health and burnout risk, as well as reduce job satisfaction and performance.

Additionally, the complexity of the new requirements may make compliance difficult. Frequent updates and changes, such as the implementation of *e-invoicing*, the expansion of the Sales and Services Tax (SST), and the proposal of additional taxes like a 2% dividend tax, are characteristics of Malaysia's tax environment (KPMG, 2025). Given to the challenging circumstances created by these changes, the tax consultants must remain up to date in order to assure compliance. As the date might impact financial reporting and tax planning processes, the tax consultant needs to give careful attention to when the tax laws are officially in effect with the aim to avoid any penalties. In order to be completely ready to fulfill their new responsibilities, tax consultants must be aware of the effects of the changes (Picajkic, I., 2024).

The complexity of new tax laws can also lead to risk of errors. Confusion and mistakes in tax files may result from the tax consultants' insufficient understanding of the changes. If there are mistakes in tax returns, the business may be subject to fines or imprisonment for noncompliance. According to the proposed penalties in the Finance Bill, filing an erroneous return could result in fines ranging from RM20,000 to RM1 million or imprisonment terms up to three years. In addition to harming the company's reputation, these fines may have a financial impact on small enterprises by influencing their cash flows and profitability.

The benefits of frequent tax law changes

Tax law changes present significant benefits for tax consultants, enhancing their service offerings and client relationships. Tax consultants may benefit from the changes in tax laws as their expertise could improve tax planning strategies. By staying informed with the changes in the tax law, they can develop tailored approaches which can leverage new regulations for maximum client benefit. They can create customized strategies that take advantage of new rules for the greatest possible benefit to their clients by keeping up with changes in the tax code. This is due to the fact that they are capable to assist their clients in determining the required changes and possible tax savings based on the most recent laws, such as the new dividend tax and expanded SST coverage.

Additionally, it might improve the relationships with clients. Clients who are confused by the complexities of tax laws will turn to tax consultants for assistance and clarification. Tax consultants who remain up to date on tax law changes can provide clients with clarity and direction, assisting them in understanding on how these changes impact their financial circumstances. For instance, tax consultants might advise their clients on how to maximize dividend payments in order to reduce tax obligations under the new tax structure. This can strengthen the relationship between tax consultants and their clients, which may promote trust and long-term loyalty.

The dynamic relationship between both parties may lead to more opportunities for advisory services. The need for advisory services will increase whenever tax laws change because clients will seek advice from consultants on how the new laws will impact their business operations. This is to avoid breach of the law which can lead to fines and penalties. Hence, it will provide opportunities especially to the tax consultants to leverage their expertise to offer strategic advice. They can help their clients to navigate complex tax environments to optimize their tax positions. The overall value proposition of tax consultants will increase when clients are more likely to rely on them for ongoing advice and support.

By diversifying their offerings beyond typical tax preparation fees to include advising services, taxation firms can increase their revenue streams. By offering new services to meet the needs of its clients, businesses can expand into new markets and generate more revenue. The firm's profitability may increase once it is able to charge for the advising services. They can also leverage technology by using software to further enhance revenue potential. For instance, the firm can use automated reporting systems and data analytics to analyse vast amounts of data. This can save time and reduce human error.

Tax’s firm would also gain a competitive advantage. When the firm can adapt quickly to the changes in the tax laws, this will give advantages to them. By successfully managing the complexities of the new laws for their clients, the firm can attract new clients. For example, after they completely adjust to the new rules, they will be able to offer their clients prompt guidance and solutions. As a result, they can boost their clients' trust and reputation.

To sum up, tax law changes enable tax consultants to provide more specialized and valuable services to their clients by increasing the demand for their expertise, creating economic opportunities, improving professional development, and necessitating careful navigation of ethical and regulatory considerations.

The implications to financial in the changes of tax law

The changes in the tax laws can have profound financial implications for business. It can affect various aspects of financial reporting, tax planning and overall corporate strategy. First and foremost, there will be immediate recognition of tax expenses. The business is often required to immediately recognize their additional tax expense when the tax law changes. For example, when the government introduces new tax law by increasing rates for corporate tax, the companies must account for the changes in the period they occur which result in decreased profitability on their income statements. This can give a negative effect to the investors because decrease in the profitability can lead to stock price will decrease.

Next, it will lead to revelation of deferred tax assets and liabilities. A deferred tax asset (DTA) arises when a company has overpaid taxes or has tax deductions that can be used to reduce tax liabilities in the future while deferred tax liabilities (DTL) occur when a company has underpaid taxes and need to pay in the future. Hence, changes in the tax law will lead the company to re-evaluate their deferred tax positions. For example, the companies may have to write down their deferred tax assets if a new tax rule changes the intended use of a net operating loss (NOL) carryforward, resulting in immediate financial losses that are reflected in their earnings.

Changes in the tax laws can also have a significant impact on a company’s cash flow. This happens when tax liabilities are raised by the new tax rate, potentially lowering the amount of money available for other purposes. Due to the necessity to set aside more cash for tax payments, this may restrict the company's capacity to make operational investments for research and development and capital expenditures for equipment purchases. The company debt will tend to increase as a result on increasing tax liabilities without corresponding revenue growth.

Moreover, the compliance cost will increase because the companies need to pay for additional costs. Compliance costs refer to expenses incurred by business to adhere to new regulatory requirements for example cost for training, additional resources and expert advice. The expense of hiring outside consultants for legal advice will be high, particularly for smaller companies. In order to accurately track and report tax obligations, the business should also upgrade its software, which would lead to additional costs for administration.

Tax incentives and tax credits are provisions in tax laws that can have far-reaching implications for businesses and the economy. If new incentives or credits are introduced by the new tax rules, the businesses may be eligible to claim them. For example, due to environmental concerns, the government may offer incentives to businesses that use renewable energy. This will benefit businesses that use green energy in their operations and lower their tax obligations.

4. RECOMMENDATION

Adapting to frequent changes in tax laws poses significant challenges for tax consultants. They have to engage in ongoing education via seminars, workshops, and online courses to ensure accuracy and compliance. Businesses can keep updated and get ready for changes in regulations by employing AI-powered research tools. Faster dissemination of data is made feasible by cultivating a culture of knowledge sharing within businesses through open discussions and meetings. Keeping thorough and well-organized records guarantees a seamless transition to new rules. Additionally, to reduce the risks associated with legislative changes, businesses should improve internal controls and perform frequent compliance audits.

5. CONCLUSION

Changes in tax laws are influenced by a complex interplay of economic, political and social factors. By considering all of these factors, policymakers are able to mitigate the difficulties of tax law alteration for accomplishing desired social and economic objectives.

For tax consultants, keeping up with evolving tax regulations is essential to ensure compliance and provide accurate and timely advice to clients. Even the minor mistakes can have a negative impact on financial reporting, tax planning strategies and overall business operations. Hence, continuous education and leverage technology can help them to stay updated with the latest changes.

While for businesses, adapting to changing tax laws is crucial for maintaining financial health and competitiveness. Even though sudden regulatory shifts can create immediate challenges, they also offer opportunities for strategic realignment and enhanced advisory services.

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