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# What went wrong, Tenaga?

**BEING** slapped with RM2.1 bil in additional tax assessment over two years is highly unusual for a listed company, more so a large government-linked company (GLC). It begs the question how the company assessed its tax computation.

On Nov 27, Tenaga Nasional Bhd said it was informed by the Inland Revenue Board (IRB) on Nov 23 that it had to pay additional taxes of RM985.6 mil for 2013 and RM1.1 bil for 2014. What went wrong?

An analyst speculated the extra tax could be due to disputes on utilisation of reinvestment allowances and non-taxable income. Even if this was the case, surely the difference in computation between the company and IRB could not have been that huge?

Tenaga's announcement shocked the market and its shares fell the



following Monday, dragging the FBM KLCI down. Every 10 sen fall in Tenaga's price can shave one point off the KLCI.

The utility giant did not offer any explanation on the possible reasons for the huge discrepancy in tax computation except that its tax solicitors will be appealing against the notices.

In any case, why did Tenaga wait until Nov 27 to make its announcement? On such an important matter, it should have made the disclosure immediately on Nov 23.

If the appeal fails, Tenaga's cash reserves will be depleted by 24% from RM8.9 bil to RM6.8 bil. That's a

huge dent which will affect its capital expenditure and capacity to expand. Its profits will also be dragged down for FY16 and FY17 by up to 15%. All this will affect investor sentiment towards the stock.

Tenaga has very much been in the news recently with its failed takeover bid of Edra Global Energy Bhd from 1Malaysia Development Bhd. Earlier, it had taken a 70% stake in the Project 3B power project. It depends on a tariff increase to drive earnings. The depreciating ringgit has also caused forex losses.

Investors are anxious as they do not know if Tenaga's future taxes will be affected. No doubt, they will be waiting for the outcome of the appeal. It is hoped that there won't be more such surprises, especially from listed GLCs. **FocusM**