



Employer tax audits A focus on compliance

Overview

The conclusion of the Special Voluntary Disclosure Program 2.0 (SVDP 2.0) on 31 May 2024 brought a renewed focus from the Inland Revenue Board of Malaysia (IRBM) on compliance of employers leading to tax audit. The coverage of employer audits is broad and could at times lead to subsequent audit on the employees.

Additionally, with the implementation of e-invoicing, the IRBM will have detailed data in relation to the employer's business transactions

including disbursements, reimbursements and claims made by the employees. More data-driven audits are expected to be undertaken.

Common areas of audit focus

- Monthly Tax Deductions (MTD).
- Reporting in the Employer's tax return (Form E).
- Accurate Statement of Remuneration from Employment (Form EA).
- Timeliness of submission of registration / deregistration of employees.

Notable pitfalls by employers

- Incomplete remuneration for purposes of MTD calculation.
- Omitted reporting of taxable remuneration in the Form EA.
- Lack of knowledge on whether to report non-payroll items or reimbursement.
- Implication of director's remuneration disclosure in company's audited financial statements vis-à-vis company's annual report.

Deloitte's view

Employer readiness assessments

As the IRBM becomes more sophisticated, with greater access to detailed transaction data, it will even be more critical for employers to proactively assess their readiness for data-driven tax audits.

As the end of the 2024 tax year draws closer, employers are focused on the year-end payroll finalisation to ensure that the data are ready for issuance of the Form EA by end-February 2025 and submission of the Form E by end-April 2025.

Employers should therefore leverage now to embark on a payroll review to address the correctness and accuracy of disclosure in relation to their payroll process and systems.

This will allow employers to take any remedial action as required for the upcoming tax filing season and set compliance and governance standards in fulfilling the employer's tax obligations.

The default penalty in employer's obligations include a fine ranging from RM200 to RM20,000, imprisonment for a term not exceeding six (6) months, or both.

Do get in touch with us for a preliminary discussion.

Get in touch

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