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Focus on probe against wilful tax evasion

AS we anticipate the Budget 2025 announcement, Malaysian taxpayers are preparing for potential changes that could significantly affect their interactions with the Inland Revenue Board (IRB).

Recent months have seen a clear shift in the government's approach to tax compliance, with increased efforts to close the tax gap.

Budget 2024 saw the launch of the Special Voluntary Disclosure Programme 2.0 (SVDP 2.0) effective from June 6, 2023 until May 31, 2024 as an effort to encourage taxpayers to come forward voluntarily and declare their unreported taxes without penalty.

The SVDP 2.0 introduced an easily accessible platform, allowing eligible taxpayers the opportunity to ensure their tax affairs are accurate and in order.

As revealed by Finance Minister II Datuk Seri Amir Hamzah Azizan in July, the IRB approved 141,406 voluntary disclosure applications, including 102,572 individual taxpayer cases, and raised a total tax assessment of RM1.29bil within the stipulated period.

Despite its efficacy, the "carrot and stick" approach may no longer be relevant in the current economic landscape.

This decreases the likelihood of Budget 2025 introducing another voluntary disclosure or similar programmes.

As tax compliance becomes more automated with system and process-driven strategies, the IRB will be able to focus on real tax evaders and non-compliant taxpayers to address the country's tax leakages and broaden its tax base.

The recent implementation of e-invoicing system in Malaysia will enable the IRB to have more access to transaction information, enhancing their capabilities in conducting tax raids on recalcitrant taxpayers.

From July to September this year, the IRB has conducted multiple tax operations and raids in



Effective measures:

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These operations have demonstrated the IRB's increased use of data and advanced analytics to detect and address tax evasion.

The success of the operations highlights the growing sophistication of the IRB's enforcement strategies, and suggests that similar approaches are likely to continue.

We expect to see an increased focus for tax investigation on cases that involve wilful tax evasion and fraud, while tax audit will be targeted on specific technical tax issues and industries.

As the taxman comes knocking on taxpayers' doors, many non-compliance issues will slowly surface from the shadows, and fall under the radar of the IRB.

The increased tax enforcement

Run-up to



activities should also be balanced with encouragement for the micro and small businesses to be part of our tax system.

A greater desire to comply with our tax laws could be achieved through a simpler tax compliance obligation which should translate to a lower tax compliance cost to the micro and small businesses.

A simpler tax system could also encourage the gig economy to surface from the shadow and be under the radar of the IRB.

Despite micro to small businesses enjoying a lower income tax rate than larger businesses, each business is required to adhere to the same set of tax compliance requirements, regardless of the company's size.

To assist micro and small businesses with complying and reducing their operational costs for tax compliance, we would encourage the consideration to introduce a streamlined set of tax compliance requirements for businesses of different sizes.

Perhaps a presumptive taxation model can be adopted for small businesses where a certain percentage of the receipts of the business is treated as taxable income.

The range of penalties introduced under the tax audit and investigation framework can be

further fine-tuned by reducing the penalties for voluntary disclosures as this will incentivise taxpayers to come forward and report unintentional errors made in their tax returns or declare unreported income.

While tax is an important component of the nation's revenue, it should not impose unnecessary burden on taxpayers.

We look forward to seeing tax-friendly measures in Budget 2025 that serves the country's objective of enhancing the revenue pie and facilitates compliance for taxpayers.

Mohd Fariz Mohd Faruk is the tax controversy leader while Wong Yu Sann is the tax director of Deloitte Malaysia. The views expressed here are the writers' own.