

Taxman on cross-border hunt

The Inland Revenue Board has asked nearly 15,000 Malaysian tax residents with offshore accounts holding over RM10bil to make a declaration, a move backed by experts who say account holders must prove they are not evading tax or laundering illicit funds. > **See report on page 2 by TARRENCE TAN**

Experts: Adequate documentation vital for offshore accounts

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PETALING JAYA: While having an offshore account is not illegal, adequate documentation is crucial to prove these funds are not derived from crime or tax evasion, say experts.

They, however, said it was concerning that nearly 15,000 Malaysians held more than RM10bil in undisclosed offshore financial accounts, noting that it is a familiar tactic used by criminals to stash wealth and launder proceeds of illegal activities.

Accounting firm KPMG's senior tax policy adviser Dr Veerinderjeet Singh said businesses or individuals hold offshore financial accounts for various purposes such as investments or tax benefits.

"But documentation here is crucial. Malaysians with offshore accounts must be able to prove why they find it a necessity to set up such accounts.

"If you have income here, you paid your taxes and invested overseas, there is nothing wrong with that," he said.

Veerinderjeet said Malaysians who generate income overseas are not required to bring back the money to Malaysia.

"One must not jump to conclusion that it is an offence just having an offshore financial account," he added.

Centre to Combat Corruption and Cronyism (C4) chief executive officer Pushpan Murugiah said the LHDN's revelation is similar to the Pandora Papers, Panama Papers and Paradise Paper scandals.

"Offshore secrecy isn't just about 'tax planning' – it is a system that has been repeatedly used to hide wealth, avoid scrutiny and in some cases, launder the proceeds of corruption or illicit activity," said Pushpan.

Noting that this is a governance

and integrity issue, he said the revelation also showed offshore concealment of wealth has likely been widespread for years and Malaysia is now getting better data through exchange of information with over 100 countries.

"If the Pandora Papers taught us anything, it is that without strong transparency rules, the same loopholes get recycled: shell companies, nominees, trusts, and secrecy jurisdictions that make it difficult to identify the true owner and the true source of funds."

Pushpan also said modern enforcement required real-time data integration.

"Instead of handling offshore data as ad hoc cases, offshore data must be systematically matched against domestic filings and risk-scored.

"The government should publish aggregate results - how many came forward, how much tax was recovered and how many were prosecuted. Otherwise, this becomes another news cycle without actual deterrence," he added.

Pushpan said the LHDN already possessed cross-border data pipelines and it should follow through its enforcement with audits, recovery, penalties, and coordinated financial crime investigations rather than settling for "quiet settlements".

"The lesson from those leaks is clear. Malaysia needs enforcement that is predictable, proportionate and insulated from interference."

"Otherwise, offshore secrecy just evolves and repeats itself," he said.

In 2021, at least 10 wealthy Malaysians were named in the leak of confidential financial information dubbed the Pandora Papers.

The Pandora Papers involved a 3TB data dump by the

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Calls grow for stronger action on offshore leaks

were used to obscure beneficial ownership.

"In some cases, they were genuine misunderstanding of tax residence and reporting obligations.

"But when the numbers are this large, it will be misleading to treat this as mere administrative non-compliance," he said.

According to Raymon, among measures that Malaysia can take to address this matter is to imple-

ment asset declaration for high-risk public roles such as ministers, MPs, senior civil servants and GLC leadership.

Raymon also said asset declaration should be linked to beneficial ownership data so that complex or offshore corporate holdings could be cross-checked against ultimate ownership and control.

"Malaysia has strengthened beneficial ownership require-

ments under the Companies Act framework. The next step is using that data operationally.

"There is also a strong case for introducing an unexplained wealth or illicit enrichment mechanism, with proper due-process safeguards, to address situations where wealth cannot be credibly explained even if criminal conviction is difficult," he said.

Raymon also said the issues

should be approached on a whole-of-government basis, where the Malaysian Anti-Corruption Commission or relevant authorities should intervene in certain cases if they were needed.

"Public confidence will ultimately be shaped not by announcements, but by recoveries, prosecutions in egregious cases, and demonstrable prevention," he added.

International Consortium of Investigative Journalists (ICIJ).

Several Malaysians were also

named in the other leaked Panama Papers in 2016 and

Paradise Papers in 2017.

Transparency International

Malaysia (TI-M) president

Raymon Ram said that aside

from tax evasion and money

laundering, offshore accounts