

Tax spotlight – Wealthy Sarawakians under greater scrutiny

By

Regina PC Lau, Partner – Tax,
Kuching, KPMG in Malaysia

ON Sept 12, 2025, the Inland revenue Board (IRB) released a statement to share the results of its detection of tax non-compliance from Jan 1, 2024, to Aug 31, 2025.

Additional taxes of RM1.75 billion were collected from 321 high-net-worth individuals (HNWIs), signalling heightened scrutiny as Malaysia seeks to broaden its tax base and strengthen fiscal sustainability.

In its quest to raise tax collection, the IRB is pressing on to instil good tax governance among both corporations and individuals to ensure that tax is paid where due.

Various targeted operations, including in Sarawak, have been launched since last year, and such actions are expected to continue in their intensity.

Lifestyle profiling, net-worth audits

With increased investment in technology and adoption of artificial intelligence (AI) tools, a dedicated division within the IRB can now profile taxpayers more effectively through



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voluminous data collection.

This includes tracking ownership of luxury properties, high-end vehicles, overseas travel and social media displays of wealth.

More individuals whose lifestyles far exceed their declared incomes have been flagged.

Through automatic exchange of information with other tax jurisdictions, individuals holding their wealth abroad are also within the IRB's radar.

Back home, the IRB is particularly focused on individuals who derive wealth from the energy, agriculture and infrastructure sectors, which remain key drivers of the

nation's economy.

Mandatory net-worth declarations

When one is flagged and selected by the IRB, the selected HNWI is required to submit detailed net-worth analyses using Forms CP102 and CP103.

These forms capture:

- income from all sources (taxable or otherwise);
- domestic and foreign assets (bank accounts, properties, vehicles, investments in shares, funds, bonds, financial instruments);
- liabilities and loans, and;
- personal and private expenses.

This signals a shift from traditional income-based audits to a more holistic review of taxpayer behavior where lifestyle, asset accumulation and financial capacity form part of the compliance equation.

In Sarawak where land ownership and resource-linked investments are common, the declarations help reconcile visible wealth with reported income.

Pushback, compliance challenges

Unsurprisingly, enforcement

by the IRB has sparked concern among affected groups.

Many view the reporting requirements as 'invasive and burdensome', with additional worries over data privacy.

The need to submit the detailed analyses covering five to six years within the 30-day period given by the IRB has been described as 'unrealistic'.

The IRB does allow reasonable extensions beyond the 30 days.

Still, the availability of proper documentation remains key.

Records-keeping is already a legal requirement, and deficient documentation as a reason for incomplete net-worth analyses for submission will not be accepted as an excuse.

Simplicity drives compliance

While enforcement is tightening, simplicity in tax laws and systems remains the real driver of compliance.

When tax requirements are straightforward and tax filing systems are reliable and user-friendly, taxpayers are far more likely to comply voluntarily.

'Simplicity builds trust', when the rules are simple, and taxpayers understand what is expected of them with much ease, compliance becomes a

natural outcome.

Malaysia's current e-filing platform and streamlined personal tax reliefs are steps in the right direction.

However, in Sarawak where many taxpayers operate in informal sectors or in rural economies, further simplification, clarity and better access to digital tools could significantly improve compliance.

The IRB recognises the importance of tax education to the public.

A series of free workshops on 'Real Property Gains Tax' have been rolled out following the shift to compulsory e-filing for RPGT from Jan 1 last year, whereas outreach on recent stamp duty changes has been conducted in collaboration with professional institutes and the private sector.

'A new tax culture is here'

The last few years, particularly post-Covid-19, have seen significant changes in the tax landscape globally and domestically.

Aside from adapting to international requirements, the IRB aims to broaden its revenue base, reduce inequality, and

bring delinquent or capture non-taxpaying individuals into the tax net.

Sarawak, with its robust economy generating many HNWI, is part of that journey.

Looking ahead

The IRB's intensified enforcement is not a temporary policy shift – it reflects a serious, ongoing commitment to pursue tax delinquents and evaders.

Taxpayers across Sarawak, from property tycoons to corporate leaders and rural business owners, should ensure that their filings are accurate and up-to-date.

For Malaysia's tax system to be fair and future-ready, enforcement must go hand in hand with clarity, consistency and accessible systems that encourage compliance rather than defensiveness.

The challenge ahead is not just detecting non-compliance, but also ensuring that taxpayers understand the rules and are supported in meeting them.

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