



Indirect Tax

Special Voluntary Disclosure Program



On 29 October 2021, the 2022 Budget was tabled and amongst the notable tax measures announced is the highly anticipated indirect tax Special Voluntary Disclosure Program (SVDP).

Currently, there is a VDP in place for specific cases but this will be a one-off special program. Viewed as part of the government's strategy to optimise tax collection, the indirect tax SVDP will be administered by the Royal Malaysian Customs Department (RMCD). Whilst not indicated yet, it is anticipated to cover significant if not all taxes under RMCD's purview including Sales Tax and Service Tax (SST), Customs Duties, Excise Duties, Goods and Services Tax (GST) etc.

From the taxpayers' perspective, the SVDP provides a channel to come forward and voluntarily disclose any unreported taxes or duties with 50% to 100% remission of penalty.

From the Government's perspective, it serves as an additional avenue to increase tax revenue using relatively limited administrative resources whilst saving costly and contentious audits, litigation and criminal proceedings.

Given the specific timeframe, taxpayers are encouraged to take advantage of the SVDP to correct their indirect tax affairs before it expires.

What Was Announced on 29 October 2021

- The SVDP will be introduced in phases with the following incentives:

Phase 1	Phase 2
100% penalty remission	50% penalty remission

- Tax remission will also be considered for certain cases.
- In our view, the SVDP is designed to run in phases to encourage a higher take-up rate during the first phase and boost the nation's tax collection.
- The effective date and further details on the mechanism of the SVDP to be announced.

Things To Note

- The program is mainly offered to taxpayers who voluntarily come forward to disclose their errors to RMCD. Taxpayers with ongoing audits or investigations by RMCD may not be eligible for the SVDP.
- It remains to be seen whether RMCD will accept all voluntary disclosures in good faith without further probes. Whilst further review should hopefully not be made on the reported information, the possibility of audit scrutiny and review on other areas not disclosed by the taxpayers cannot be ruled out.
- Taxpayers should look out for and take note of the conditions / qualifying criteria for the tax remission.

Common Indirect Tax Risk Areas

- Disclosure due to Transfer Pricing adjustments, particularly for Import Duties and Sales Tax
- Late registration for Sales Tax, Service Tax or any other indirect taxes and the corresponding late payment of taxes
- Under-reporting of duties and taxes which were missed out or due to inaccurate classification
- Omission to charge and collect taxes
- Non-compliance with duties and tax exemption conditions
- Omission to account for imported taxable services
- Errors found during internal health checks
- Underpayment of GST (although note that a penalty remission program for GST was introduced from 1 May 2021 to 31 August 2021)

What You Should Do

- Have discussions with your tax consultants to verify your tax positions and ascertain potential non-compliance or contentious / grey areas
- Check if the tax positions adopted are supported by the relevant law or ruling obtained from RMCD
- Perform an internal review to identify potential non-compliance or contentious / grey areas, or reporting errors
- Quantify the tax exposure from the reporting errors, under-estimated or potential unpaid taxes
- Ascertain if you are eligible for the SVDP
- Gather the information on hand and strategise the approach to RMCD before making a disclosure under the SVDP
- If not eligible for the SVDP, consider other ways to bridge the gaps or disclosure under other possible manner

How KPMG Can Assist

- Have discussions with your team to assess your tax positions and identify key risk areas that may give rise to potential underpaid or unpaid taxes
- Review the tax positions adopted and advise if correctly supported by the relevant law and ruling
- Conduct a health check to identify and evaluate potential non-compliance or contentious / grey areas, or reporting errors
- Review and validate your tax exposure computation
- Advise on the eligibility and criteria for the SVDP
- Advise on the SVDP procedures and assist with reviewing your SVDP application for submission to RMCD
- If not eligible for the SVDP, advise on remedial actions to bridge the gaps or disclosure under other possible manner

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