



Special Voluntary Disclosure Program (“SVDP”) 2.0

June 2023

KPMG in Malaysia





Message from the partner

By

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Dear valued client and business associate,

SVDP 2.0 has been initiated by the Government of Malaysia on both direct and indirect taxes to pave the way for a more cooperative compliance environment with less-intrusive audits following the successes of SVDP 1.0 back in 2018 by the Malaysian Inland Revenue Board ("MIRB") for direct tax and 2022 by the Royal Malaysian Customs Department ("RMCD") for indirect tax. The SVDP 2.0 period is observed from 6 June 2023 to 31 May 2024 with 100% waiver on tax penalty/surcharge.

This precious opportunity for taxpayers to participate in the SVDP 2.0 could not have come at a better time to update on tax reporting positions before the full implementation of e-Invoicing as announced in the 2023 Budget.

The following pages set out insights on the steps you may take to ensure your business is in compliance with the tax legislations.

Should you have any queries relating to the SVDP 2.0 or any other tax matters, please contact your KPMG consultants or send us an email at info@kpmg.com.my.



Direct Tax

Special Voluntary Disclosure Program (“SVDP”) 2.0

Hot off the press is the issuance of the SVDP 2.0 Operational Guidelines No. 2/2023 and Frequently Asked Questions (“FAQ”) dated 2 June 2023 to eligible taxpayers as announced in the Budget 2023 on 24 February 2023.

SVDP 2.0 is an initiative by the Inland Revenue Board (“IRB”) to provide a golden opportunity to taxpayers in the enhancement of nationwide tax compliance level encompassing the AES concept (Awareness, Education, Service) adopted by the IRB.

For the taxpayers’ benefit, the SVDP 2.0 spearheads a channel to voluntarily disclose with 100% waiver on penalty/surcharge.

Taxpayers are urged to grab this rare opportunity in assessing potential areas they would like to report to the IRB during SVDP 2.0 to enjoy the 0% penalty rate/surcharge under this special period.

Key Aspects

- Implementation period – 6 June 2023 to 31 May 2024
- Open to all categories of taxpayers (except for employer file category)
- Penalty rate / surcharge of 0%
- Tax audit / investigation will not be carried out on the Year(s) of Assessment in which voluntary disclosure has been made provided tax payments are made within the stipulated period (lump sum / agreed installment payments).

How We Can Assist

- Strategise and discuss with the taxpayer on the eligibility and conditions for SVDP 2.0
- Conduct brainstorming session with taxpayer to identify key risk areas
- Perform risk assessment review to determine applicable areas for SVDP 2.0
- Evaluate the tax position and quantify the potential tax exposure
- Assist in preparation of the voluntary disclosure (“VD”) to the IRB including the relevant basis in arriving at the tax computation
- Assist to submit the VD via SVDP 2.0 link on the IRB’s Official Portal / IRB’s office
- Conduct follow-up discussion(s) with the IRB, if required on the VD made subsequent to processing of SVDP 2.0 application by the IRB and leverage on our extensive engagements with the IRB to expedite the acceptance and clearance on the VD, if necessary



Key Message from Ng Wei Wei

Lead Partner
SVDP 2.0 Direct tax



For the taxpayers’ benefit, the SVDP 2.0 spearheads a channel to voluntarily disclose with 100% waiver on penalty / surcharge.”

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Indirect Tax

Voluntary Disclosure Program ("VDP")

Further to the re-tabled Budget 2023 announcement on the re-introduction of the Special Voluntary Disclosure Program, the Royal Malaysian Customs Department ("RMCD") has issued the Guideline and FAQ on Voluntary Disclosure Program ("VDP") for indirect tax.

The VDP starts from 6 June 2023 and ends on 31 May 2024. Under the VDP, the incentives include amongst others, 100% penalty remission, no compound as well as potentially no audit. RMCD will accept the voluntary disclosure in good faith.

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

Key Takeaways

VDP period: 6 June 2023 to 31 May 2024. The types of taxes covered under the VDP are as follows:

- Sales Tax Act 1972
- Service Tax Act 1975
- Goods and Services Tax Act 2014
- Tourism Tax Act 2017
- Sales Tax Act 2018
- Service Tax Act 2018

excluding matters relating to importation of goods.

The VDP is only applicable for taxes and penalty incurred up to 28 February 2023.

Eligibility: Open to persons who are registered or liable to be registered as well as acquire imported services. Note that there are some situations which would not be eligible for example cases under audit/ investigation or where the Bill of Demand has been issued.

Incentives: 100% penalty remission and no compound to be issued on compoundable offence. Taxable periods declared under VDP will not be audited by RMCD's Compliance Division at the zone/ state level (unless there is an element of fraud).

VDP Application Process Flow



Sign up for user ID via MyVDP system



Submit the application form VDP-01 via MyVDP system



Application approved (VDP-02 to be issued by RMCD) / not approved



Make payment within prescribed timeline (one-off/ installment).



Certificate of approval to be issued by RMCD (VDP-03)

Common Indirect Tax Risk Areas

- Late registration for Sales Tax, Service Tax or any other indirect taxes and the corresponding late payment of taxes
- Omission to charge and collect taxes
- Omission to account for imported taxable services
- Errors found during internal health checks
- Underpayment of GST

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 VDP
- Gather the information on hand and strategise the approach to RMCD before making a disclosure under the VDP
- If not eligible for the VDP, consider other ways to bridge the gaps

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 VDP
- Advise on the VDP procedures and assist with reviewing your VDP application for submission to RMCD
- If not eligible for the VDP, advise on remedial actions to bridge the gaps or disclosure under other possible manner

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