



Tax Whiz

Tax highlights from your advisers

Customs Compliance Verification Audit Programme ("AViP") Framework



KPMG in Malaysia

18 November 2024

Customs Compliance Verification Audit Programme Framework



The Royal Malaysian Customs Department (“RMCD”) officially launched the Compliance Verification Audit Programme or Audit Verifikasi Pematuhan (“AViP”) in July 2024. A summary of the key points shared by RMCD during the official launch can be accessed [here](#).




In line with this, RMCD has on 15 November 2024 issued the framework for the AViP (“Framework”) on RMCD’s official portal (currently only available in Malay language). The Framework provides comprehensive guidance on the implementation of the AViP, which involves a series of audits targeting taxpayers to assess their compliance with the relevant legislation, procedures and policies administered by RMCD. The Framework explains the types of audits and the mechanism for taxpayers to come forward and voluntarily disclose any non-compliance through self-assessment. The Framework also serves as a guide to ensure that audits are carried out responsibly and maintain a high level of compliance.

We set out below some of the salient points extracted from the Framework:

Key Aspect	Details
<p>What is the AViP</p>	<ul style="list-style-type: none"> • The AViP is a new audit strategy initiative by the Compliance Division of RMCD, aimed at shifting from "detecting tax leakages" to "preventing tax leakages" to improve self-compliance among taxpayers. • The primary aim of the AViP is to reach out to as many taxpayers as possible, particularly new taxpayers, to detect non-compliances, errors, and misunderstandings at an early stage to reduce the risk of tax leakages. • In cases of non-compliance discovered through the AViP, taxpayers may submit a voluntary disclosure ("VD") for the underpaid tax / duty identified.
<p>Objective of the AViP</p>	<ul style="list-style-type: none"> • A comprehensive audit to prevent the auditee from undergoing repeated audits. • Enhance the auditee's compliance through the AViP. • To give opportunity to taxpayers to voluntarily disclose any non-compliance through amendments or submission of Supplementary Tax Return / SST-ADM Form / SST-ADM No. 2 / TTx-03A / TTx-ADM or submission of underpaid duties / taxes / levies.
<p>Targeted Business Entities</p>	<ul style="list-style-type: none"> • Persons liable to tax • Registrants • Manufacturers • Importers • Exporters • Those benefitting from facilities / exemptions
<p>Types of Audits under the AViP</p>	<ul style="list-style-type: none"> • Excise Audit • Licensed Manufacturing Warehouse Audit • Duty Free Shop Audit • Free Zone Audit • Post Importation Audit • Audit on Exemption under Section 14(2) • Service Tax Audit • Sales Tax Audit • Sales Tax Exemption Audit • Tourism Tax Audit • Windfall Profit Levy Audit

Key Aspect	Details
<p>Audit Coverage Period / Selection of Taxable Period / Transactions</p>	<ul style="list-style-type: none"> The selection of taxable period or transactions to be audited is based on the initial interview and observation stages during the AViP. The sample selection will include a minimum of two (2) taxable periods or one (1) licensing period for registrants under the relevant Act or Regulation. For importers and exporters, at least four (4) months of import / export / movement declarations will be required for the AViP purposes.
<p>The AViP Procedure</p>	<ol style="list-style-type: none"> <p>1. Premises Visits</p> <p>Auditors will visit the taxpayers' premises to assess and verify the actual activities and operations, comparing them against the taxpayers' documents, records, and accounting information.</p> <p>2. Collection of Documents / Records / Goods</p> <p>The relevant documents and records, including physical goods, may be collected in either hard copy or digital format. Documents may also be obtained from third parties if necessary for further verification.</p> <p>3. Audit Verification Certificate</p> <p>If no deficiencies or discrepancies are found, a certificate will be issued to taxpayers. However, the issuance of this certificate does not preclude the possibility of further audits being conducted on the taxpayers at any time.</p> <p>4. Non-Compliance Issues</p> <p>If non-compliance is identified during the audit, the Compliance Division may offer the taxpayer the opportunity to make a VD.</p> <p>5. VD Eligibility Letter</p> <p>The VD Eligibility Letter will be issued within seven (7) working days upon receipt of the VD Form from the taxpayer. If the taxpayer fails to respond within the seven (7) working days period, a full audit will be conducted by the Compliance Division of RMCD.</p> <p>6. Field Audit Actions</p> <p>Field audits will be conducted on the taxpayers under certain circumstances (e.g. do not agree to make a VD).</p> <p>7. Re-audit</p> <p>Once a taxpayer has completed the AViP, it will not be re-audited unless new issues or information arises.</p>

Key Aspect	Details												
<p>Incentives</p>	<ul style="list-style-type: none"> Penalty Remission Approval (Blanket Approval) Penalties arising from amendments to returns or supplementary returns under the Tourism Tax Act 2017, Sales Tax Act 2018, Service Tax Act 2018, and Departure Levy Act 2019, as part of the AViP, will be eligible for remission under a blanket approval. The amount of penalty remission depends on the amount of duty / tax / levy paid and the payment period, as follows:- <table border="1" data-bbox="609 562 1463 1426"> <thead> <tr> <th>Category</th> <th>Tax Payment Period</th> <th>Penalty Remission</th> </tr> </thead> <tbody> <tr> <td>1</td> <td> <ul style="list-style-type: none"> Payment made \leq six (6) months From the date of the amendment to the return / supplementary return. </td> <td>100%</td> </tr> <tr> <td>2</td> <td> <ul style="list-style-type: none"> Payment made $>$ six (6) months but \leq twelve (12) months From the date of the amendment to the return / supplementary return. </td> <td>50%</td> </tr> <tr> <td>3</td> <td> <ul style="list-style-type: none"> Payment made $>$ twelve (12) months From the date of amendment to the return / supplementary return. </td> <td>NIL</td> </tr> </tbody> </table> For any Bill of Demand (“BOD”) issued arising from the amendment of returns resulting from the AViP, taxpayers may be allowed to make payments in instalments, provided the amendments are made within the prescribed timeline. 	Category	Tax Payment Period	Penalty Remission	1	<ul style="list-style-type: none"> Payment made \leq six (6) months From the date of the amendment to the return / supplementary return. 	100%	2	<ul style="list-style-type: none"> Payment made $>$ six (6) months but \leq twelve (12) months From the date of the amendment to the return / supplementary return. 	50%	3	<ul style="list-style-type: none"> Payment made $>$ twelve (12) months From the date of amendment to the return / supplementary return. 	NIL
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<p>Payment</p>	<ul style="list-style-type: none"> Payment of taxes for amendment of returns have to be made via cheque or bank draft in the name of “Ketua Pengarah Kastam” and submitted via pos, courier or P-hailing to the Pusat Pemprosesan Kastam (“CPC”) at: Pusat Pemprosesan Kastam (CPC) Aras 1, Blok A, Kompleks Kastam WPKL No. 22 Jalan SS6/3 Kelana Jaya 47301 Petaling Jaya, Selangor 												



The AViP is an opportunity for taxpayers to rectify any past discrepancies and ensure compliance moving forward, whilst benefitting from the penalty remission offered by RMCD. As one of the objectives of the AViP is to encourage self-compliance, we understand that RMCD would prefer taxpayers to perform a thorough health check on their businesses and thereafter come forward to voluntarily disclose any non-compliance via the AViP.

How KPMG can help:

- Conduct a health check – to identify and evaluate potential non-compliance or contentious / grey areas, or reporting errors
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- Review and validate computation of underpayment of taxes, duties and / or levies
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- Assist with the AViP procedures - advise on the steps and assist to liaise with RMCD

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