



Special Voluntary Disclosure Program 2.0

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KPMG in Malaysia

Overview and Commentary



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Key Message

“The amicable resolution approach through SVDP comes under focus as part of the new Budget 2023 by Prime Minister Datuk Seri Anwar Ibrahim in line with the Madani core values of **care and compassion** where the SVDP 2.0 extended to taxpayer sees a full 100% waiver on tax penalty for the period from 1 June 2023 to 31 May 2024, **trust** where such is built with the taxpayer through the taxpayers coming forward in the voluntary disclosure, and **prosperity** where the tax authority can increase the collection of tax revenue.”



Special Voluntary Disclosure Programs (“SVDP”) 2.0 on direct and indirect tax have been initiated in Malaysia by the Government to pave the way for non-intrusive audits following grievance from taxpayers on the aggressive approach of tax audits and investigations in the previous years.

The amicable resolution approach through SVDP comes under focus as part of the new Budget 2023 by Prime Minister Datuk Seri Anwar Ibrahim in line with the Madani core values of **care and compassion** where the SVDP 2.0 extended to taxpayer sees a full 100% waiver on tax penalty for the period from 1 June 2023 to 31 May 2024, **trust** where such is built with the taxpayer

through the taxpayers coming forward in the voluntary disclosure, and **prosperity** where the tax authority can increase the collection of tax revenue.

On the backdrop of the nation picking up its feet in the slow recovery of the economy amid the global inflationary pressures and supply chain conundrums, this Budget proposal is lauded as it comes at a crucial time the taxpayer is encouraged to come forward to declare their actual income voluntarily in a non-pressured way as well as to facilitate and promote tax education while increasing tax collection utilising less resources.

The re-implementation of SVDP comes as no surprise as past results have demonstrated the encouraging collection of approximately RM7.8billion from 286,428 contributors, including 11,176 new taxpayers in the previous SVDP for direct tax. The figures show through participation that the existing taxpayers and new taxpayers buy in to the idea of mutual responsibility in fulfilling their tax filing obligations as well as ensuring fair collection of taxes to the eventual dimming of the perception that tax obligations are nothing but a burden. An increase in tax awareness would eventually lead to a higher rate of tax compliance.

With the experience from the past and the existing knowledge that taxpayers have garnered, understanding the process of the voluntary disclosure may not be as stressed upon as the confidentiality of information shared and the reassurance that the program would not prejudice the position of the taxpayer in subsequent YAs that come under review.

The interested and eligible taxpayer may find himself/herself asking the following questions which have sparked debate in the previous SVDP:-

- i) What are the underlying conditions attached to the SVDP?
- ii) To what extent would the tax authorities stop at the items put forth by the taxpayer in the voluntary disclosure and accept items disclosed in good faith without proceeding with further review on the other areas of the Company's financials?
- iii) What is the key difference between the voluntary disclosure under the SVDP 2.0 as compared to the previous SVDP that may represent a push factor in participation by the keen taxpayer?



- iv) Some of the taxpayers who took part in the previous SVDP had experienced tax audit/ investigation following voluntary disclosure. What can the tax authority do differently this round to give confidence to the taxpayer that such incidents of similar nature would not occur?
- v) Would the SVDP 2.0 be comprehensive to include Transfer Pricing related issues?

It is worthy to note that with the implementation of Automatic Exchange of Information (“AEOI”) with other foreign tax authorities, information exchange and the circulation of data between countries, taxpayers especially high net worth individuals are urged to be transparent and come forward voluntarily to the tax authorities where found non-compliant in the process. The tax authorities will use all necessary measures permitted by the law to recover such monies either in the form of additional taxes, penalties or fines.

Ultimately, the responsibility lies with the taxpayer to ensure tax records are veracious and abide by the rule of law. Pending the issuance of guidelines on the SVDP, the taxpayer would be wise to see through a thorough tax risk assessment and the evaluation of their tax position.

To this end, despite the many questions raised above, it is with no doubt that the return of the SVDP 2.0 presents an opportunity to increase tax compliance. Perhaps this time the taxman could bring home a heavier bag for the benefit of the national coffers.

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