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Comment

AS we move from January to April, it is timely to reflect on how the tax landscape has evolved in the first few months of the year.

These developments have not occurred in isolation. Instead, they sit against a backdrop of intensified enforcement, accelerated digitalisation, rising compliance expectations, and, more recently, heightened global uncertainty arising from geopolitical tensions.

Taken together, the period reveals both progress and emerging pressure points for taxpayers and the tax authority alike.

Genuine compliance efforts, familiar constraints

Across sectors, taxpayers are making genuine efforts to comply.

There is a greater awareness of governance, documentation and internal control mechanisms, and a clear intention among businesses to get tax matters right.

However, from the ground, several recurring themes continue to dominate conversations.

Tax refunds remain a key concern.

While initiatives have been introduced to improve processing timelines, delays still affect cash flow planning – particularly for micro, small, and medium enterprises (MSMEs), where refunds are often an important source of liquidity rather than a balance sheet footnote.

Stamp duty is another area where uncertainty persists. Many modern commercial arrangements do not sit neatly within traditional instrument-based interpretations.

Where clarity is lacking, businesses face not only additional costs but also transactional uncertainty, especially in time-sensitive deals. At the same time, tax enforcement, especially concerning related party transactions, has intensified, reflecting global initiatives to safeguard the tax base.

However, from a taxpayer's standpoint, the approach and consistency of enforcement remain critical considerations. Prolonged audits, broad information requests and uncertainty over outcomes can be disruptive, even for taxpayers who have acted in good faith and applied arm's

Tax compliance amid global uncertainty

For MSMEs, financial and resource constraints remain significant challenges.

length principles.

Tax incentives remain an important policy tool, as Malaysia competes for investment. Businesses continue to value incentives, but they also seek predictability and transparency – including clearer qualifying criteria, consistent post-approval monitoring, and proportionate compliance expectations.

Meanwhile, e-invoicing, particularly for those approaching the later phases of implementation, has emerged as a practical challenge for certain segments.

While larger organisations may have the resources to absorb system and process changes, smaller businesses face cost and capacity constraints, and the compliance burden can be disproportionately felt if transitional support is limited.

Digitalisation with higher expectations

From the authority's standpoint, the direction is clear, digitalisation is no longer optional, and data-driven compliance is becoming central to the modern tax administration.

The intention is positive: to achieve greater efficiency, reduce leakages and, ideally, make compliance simpler for taxpayers. If implemented well, these digital systems should reduce repetitive manual tasks and allow taxpayers to focus on running their businesses.

That said, digitalisation also brings higher expectations.

For MSMEs, financial and resource constraints remain significant challenges.

The policy balancing act lies in ensuring that compliance systems are robust without becoming excessively onerous for smaller taxpayers who lack sophisticated infrastructure.

The increasing adoption of data analyt-

ics is also transforming enforcement practices. When utilised appropriately, data allows authorities to distinguish risk more accurately, directing enforcement efforts towards those consistently non-compliant taxpayers, while minimising unnecessary interference with compliant businesses.

In this regard, the expanded use of criminal investigation for intentional non-compliance delivers a clear message – if applied fairly, it will strengthen confidence and integrity of the system.

External pressures from Middle East

Adding to these domestic dynamics is the external shock arising from the ongoing conflict in the Middle East.

While geographically distant, the economic effects are immediate. Sectors sensitive to petroleum prices – transportation and logistics, manufacturing, agriculture, food production, wholesale and retail trade, and oil and gas – are already experiencing higher operating costs.

For businesses, this means thinner margins, greater cash flow pressure, and difficult trade offs between absorbing costs and passing them on.

Even if these disruptions are ultimately short term, managing them in the current environment is far from straightforward.

From a tax policy perspective, such developments raise a legitimate question: what can be calibrated, without compromising fiscal discipline, to help businesses weather this period?

What the government could consider

Encouragingly, recent policy announcements in response to the global energy disruption already reflect a calibrated approach to supporting businesses while maintaining fiscal discipline.

Measures such as the expanded RM5bil loan guarantees for MSMEs, 12-month transitional extension for e-invoicing implementation for businesses with annual sales of RM1mil to RM5mil, with penalty-free flexibility, and the temporary exemption of import duties and sales tax on re-imported Malaysian goods affected by supply chain disruptions demonstrate a pragmatic and responsive policy stance.

These initiatives signal that the government is taking meaningful steps to ease immediate pressures without derailing the broader trajectory of compliance reform.

Building on this direction, and drawing from my experience engaging with businesses and ongoing policy discussions, there are several areas that could further complement these efforts across the short-, medium- and longer-term horizons:

> Further cash relief measures.

One area worth considering is expansion of temporary, targeted cost relief through the tax system.

For example, sales tax exemptions currently apply to certain raw materials, such as those used in animal feed, fertilisers and pesticides.

Given the escalation in petroleum-related costs across multiple affected sectors, extending similar exemptions to raw materials used in these sectors could help buffer rising input costs and stabilise production expenses, ultimately mitigating sharp price increases for consumers.

Another area that could be revisited is the feasibility of a targeted moratorium on loan interest for MSMEs in affected sectors. Similar measures were implemented during previous economic shocks.

Even a limited duration, narrowly targeted approach could provide breathing space for businesses facing sudden cost spikes, allowing them to sustain operations and retain workers.

> Cash flow support for MSMEs.

The timing of the conflict escalation creates a specific tax administration issue. Many businesses would have submitted their tax estimates before petroleum prices spiked.

As a result, some may now find themselves locked into instalment payments that no longer reflect current profitability, until the first permitted revision window.

Considering these extraordinary circumstances, the government could consider allowing greater flexibility, such as:

> permitting temporary deferral of tax instalment payments for MSMEs in affected sectors.

> allowing early revision of tax estimates before the usual revision period.

Forging strong fiscal partnership for nation building

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> waiving penalties arising from under-estimation that can be clearly linked to this unforeseen geopolitical event.

> prioritising tax refunds for businesses in the most affected sectors to prevent unnecessary liquidity constraints.

Such measures would not weaken compliance. Rather, they would align tax administration with economic realities, supporting business continuity and safeguarding employment.

Strengthening long-term resilience

Beyond immediate relief, the current situation also highlights the importance of reducing structural exposure to external energy shocks.

From a tax policy perspective, the government could consider strengthening incentives for energy efficiency and clean energy adoption.

These may include accelerated capital

allowances for electric and hybrid vehicles, and enhanced allowances for replacing older plants and machinery with newer energy efficient equipment.

While defining qualifying assets is not without challenges, clearer frameworks would support uptake.

There is also a scope to encourage behavioral change among individuals, for example, allowing tax relief for replacing high energy household devices with 5-star energy rated models, potentially within existing lifestyle relief limits to manage fiscal impact.

In parallel, greater emphasis on public transportation incentives could also help reduce household fuel dependence, for example: expanding unlimited travel passes beyond the Klang Valley, offering fare reductions for ad hoc usage, and fine-tuning fuel subsidies to offset fiscal impact.

A shared responsibility

Reflecting on developments from

January to April, one conclusion is clear: taxpayers and the government are navigating the same turbulent environment from different angles.

But these objectives are not mutually exclusive, instead they can be managed in tandem, rather than in tension.

At the heart of this is partnership: a shared responsibility to uphold compliance while responding pragmatically to economic realities.

If we were to give this balance a name, it would be a fiscal partnership for nation building, grounded in fairness, pragmatism and mutual trust.

If this fiscal partnership holds firm, the tax system can do more than collect revenue.

It can reinforce resilience, encourage compliance and help Malaysia emerge stronger amid uncertainty.

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