

## What is the Special Voluntary Disclosure Programme (“SVDP”)?

SVDP was first introduced in Budget 2019 which was for applications made during the period between 3 November 2018 to 30 September 2019. The objective of introducing SVDP was to incentivize taxpayers who have not paid their taxes or have under-paid their taxes. Some key statistics from SVDP were:



In 2022, the Malaysian government has further expended efforts to promote tax compliance by introducing the Voluntary Disclosure and Amnesty Programme (“VAP 1.0”), specifically targeting underpayment of indirect taxes. This VAP 1.0 allowed taxpayers to rectify any underpaid indirect taxes by submitting applications between 1 January 2022 and 30 September 2022.

## What is SVDP 2.0 and Voluntary Disclosure Programme (“VDP”)?

The Honorable Prime Minister of Malaysia and Minister of Finance, YAB Dato’ Seri Anwar bin Ibrahim announced in Budget 2023 that the SVDP 2.0 and VDP will be implemented from 1 June 2023 to 31 May 2024.

The SVDP 2.0 provides an opportunity for taxpayers to come forward voluntarily to report their income and tax computations for direct taxes that are accurate in line with the Inland Revenue Board (“IRB”) rulings as well as to encourage taxpayers to pay taxes within the stipulated period.

The VDP is also to encourage taxpayers to voluntarily declare any mistakes or omissions related to indirect taxes that were previously unknown or undiscovered by the Royal Malaysian Customs Department (“RMCD”).

### Direct Taxes

#### Comparison between SVDP 1.0 and SVDP 2.0

Item	SVDP 1.0	SVDP 2.0
<b>Application period</b>	3 Nov 2018 – 30 Sep 2019	6 Jun 2023 – 31 May 2024
<b>Taxpayers</b>	Companies and individuals	All categories of taxpayers except Employer’s File Returns (Form E)

Item	SVDP 1.0	SVDP 2.0
<b>Covered Years of Assessment (“YAs”)</b>	<ul style="list-style-type: none"> <li>• Individuals – up to YA 2017</li> <li>• Companies – up to financial year ended 31 Mar 2018</li> </ul>	<ul style="list-style-type: none"> <li>• New taxpayers – YAs 2022 and prior</li> <li>• Existing taxpayers – YAs 2021 and prior</li> <li>• Real Property Gains Tax (“RPGT”) – Assets disposed in YA 2022 and prior</li> <li>• Stamp duty – agreements executed on or before 1 May 2023</li> </ul>
<b>Taxes covered under SVDP</b>	<ul style="list-style-type: none"> <li>• Corporate income tax</li> <li>• Personal income tax</li> <li>• RPGT</li> <li>• Stamp Duty</li> <li>• Withholding Tax</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate income tax</li> <li>• Personal income tax</li> <li>• RPGT</li> <li>• Stamp Duty</li> <li>• Transfer Pricing</li> </ul>
<b>Penalties</b>	<ul style="list-style-type: none"> <li>• 10% penalty – SVDP made between 3 Nov 2018 – 30 Jun 2019</li> <li>• 15% penalty – SVDP made between 1 Jul 2019 – 30 Sep 2019</li> </ul>	<ul style="list-style-type: none"> <li>• 0% penalty and surcharge</li> </ul>

## Exclusion List

SVDP 2.0 does not apply to the following:

1. Taxes for the YAs which are currently undergoing audit or investigation by the IRB;
2. Revision of tax returns for which no additional tax payable is to be made;
3. Applications for reduced assessment or tax refund cases; and
4. Taxpayers for which criminal prosecutions or legal proceedings have been instituted under the Income Tax Act 1967 (“ITA”), Real Property Gains Tax Act 1976, Stamp Act 1949, and Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001.

## Indirect Taxes

### Comparison between VAP 1.0 and VDP (Indirect Taxes)

Item	VAP 1.0	VDP
<b>Application period</b>	Phase 1: 1 Jan 2022 – 30 Jun 2022 Phase 2: 1 Jul 2022 – 30 Sep 2022	6 Jun 2023 – 31 May 2024
<b>Taxpayers</b>	Any person, including foreign service provider	Any person, including foreign service provider
<b>Covered periods</b>	Indirect taxes payable up to 31 Oct 2021	Indirect taxes payable up to 28 Feb 2023
<b>Taxes covered</b>	<ul style="list-style-type: none"> <li>• Import duty</li> <li>• Export duty</li> <li>• Excise duty</li> <li>• Sales Tax</li> <li>• Service Tax</li> <li>• Goods and Services Tax (“GST”)</li> <li>• Tourism Tax</li> <li>• Departure levy</li> </ul>	<ul style="list-style-type: none"> <li>• Sales Tax</li> <li>• Service Tax</li> <li>• GST</li> <li>• Tourism Tax</li> </ul>
<b>Incentives</b>	Phase 1: Remission up to 30% of indirect taxes and 100% of penalty Phase 2: Remission up to 15% of indirect taxes and 50% of penalty	Remission of 100% of penalty
<b>Compound</b>	<ul style="list-style-type: none"> <li>• RM 500 for voluntary disclosure amounts of less than RM100,000; or</li> <li>• RM1,000 for voluntary disclosure amounts of RM100,000 and above</li> </ul>	No compound will be charged

## Exclusion List

VDP does not apply to the following:

1. Bills of Demand have been issued by the RMCD;
2. Taxpayers whose investigations have been completed or who are currently undergoing investigations conducted by the Enforcement Division of the RMCD; and
3. Taxpayers engaged in tribunal or court cases with the RMCD that are currently under trial.

## Potential benefits of joining SVDP 2.0 and VDP

- ★ A chance for taxpayers to update their prior year tax positions and to make good on any under-paid taxes.
- ★ Documentation required for voluntary disclosure application is less than for a tax audit. The IRB and RMCD do not request supporting documents to be submitted together with the SVDP and VDP applications.
- ★ Submitting a voluntary disclosure application may protect the taxpayer from future tax audits on the submitted YAs or periods, subject to conditions.
- ★ No penalty to be imposed by the IRB and RMCD for the voluntary disclosure applications.

## Payment Rules

1. Lump sum tax payment within thirty (30) days from the date of notice; or
2. Instalments based on the agreed instalment payments arrangement until the end of the SVDP 2.0 or VDP period.

If the taxpayer fails to settle the balance of tax payment at the end of the stipulated period, the tax increase will be charged based on the provisions of the tax law in force.

If the tax arrears are not paid within the stipulated period, legal action may be taken, and taxpayers can be audited/investigated in the future for the year of assessment where voluntary disclosure has been made.