

## **TAX AUDIT AND INVESTIGATIONS**

### **RECENT UPDATES**

**A tax audit is a review or examination of taxpayer's business records and financial affairs to ensure that the right amount of income is declared, and the right amount of tax is calculated and paid in accordance with the tax laws and regulations. A tax investigation is conducted when the tax authorities decide to launch an investigation into a taxpayer's affairs on the basis of some suspicion of irregularities or more serious non-compliance or default.**

Under the Self-Assessment System, the above enforcement methods will be carried out by the Inland Revenue Board ("IRB") to enhance voluntary tax compliance. The IRB has issued the Tax Audit Framework dated 15 December 2019 and Tax Investigation Framework dated 1 January 2020 to explain the rights and responsibilities of audit officers, taxpayers and tax agents respectively. To view in full the Tax Audit Framework (click [HERE](#)) and Tax Investigation Framework (click [HERE](#)).

The IRB has conducted tax audits and investigations on taxpayers based on their risk assessment criteria and various sources of information received, both from internal and external sources. Under new enforcement rules, such information can also be readily obtained and exchanged with tax authorities in other countries. However, taxpayers are allowed, and encouraged, to make Voluntary Disclosures to the IRB as provided under the said Tax Audit Framework. In addition, a Special Voluntary Disclosure Program ("SVDP") which was introduced by the Malaysian government during the year 2018 has allowed special voluntary disclosures to be made from 3 November 2018 for a period which was extended in stages until 30 September 2019.

To recapitulate, SVDP is a program that allows eligible taxpayers to declare income that was not previously declared for the year of assessment ("YA") 2017 and preceding YAs, as well as for companies with financial years ended 31 January 2018, 28 February 2018, 31 March 2018 and preceding YAs. Taxpayers who have declared their additional taxes under the SVDP were entitled to a lower tax penalty of 10% or 15% as opposed to the higher penalty rate of 45% and above as provided under the Tax Audit Framework. The IRB has issued guidelines and Frequently Asked Questions ("FAQ") on SVDP. To view in full the SVDP guidelines click [HERE](#) and the FAQ click [HERE](#)



Recently, there were instances where the tax audit activities conducted by the IRB have included the years of assessments which were previously 'covered' under the SVDP. The IRB has clarified that the participants of the SVDP should declare their full income, taking into account all taxable income, to avoid any fraud or abuses under the said program. With these new developments taking place, Baker Tilly Malaysia urges taxpayers to seek early consultation and assistance from our tax professionals in dealing with the IRB on such matters where a tax audit or tax investigation is conducted on them.

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