

## Malaysia updates the Special Voluntary Disclosure Program

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### Executive summary

Malaysia's Ministry of Finance (the MOF) and Inland Revenue Board (the IRB) issued several media releases on the Special Voluntary Disclosure Program (the Special Program) introduced in the 2019 Budget.<sup>1</sup> The Special Program offers reduced penalty rates for taxpayers to voluntarily disclose any unreported income, including income maintained in offshore accounts, for income tax, petroleum income tax and real property gains tax purposes. The reduced penalty rates apply to stamp duty as well. The Special Program was initially meant to run from 3 November 2018 to 30 June 2019.

This Alert summarizes the key aspects of the media releases.

### Detailed discussion

#### **Extension of the Special Program**

Due to the overwhelming responses from taxpayers, the voluntary disclosure under the Special Program will be extended by three months. The current disclosure periods and corresponding penalty rates are as follows:

- ▶ For disclosures made between 1 November 2018 to 30 June 2019: 10%
- ▶ For disclosures made between 1 July 2019 to 30 September 2019: 15%

### Update on penalty rates after the Special Program

It was previously announced that penalties for disclosures made after the Special Program expires would be 80% to 100%/300%.<sup>2</sup> In the media releases, both the MOF and IRB have now stated that the minimum penalty rate for disclosures made after 30 September 2019 is 45%.

### Others

- ▶ Information received under the Special Program will be accepted in good faith and no further review or investigation will be undertaken.

- ▶ Companies with financial year ended on 31 January 2018, 28 February 2018 or 31 March 2018 are eligible to participate in and enjoy the lower penalty rates offered under the Special Program if they had submitted their tax returns for the year of assessment 2018 (YA 2018)<sup>3</sup> before the Special Program was announced or if they have yet to submit their tax returns for YA 2018. In addition, companies with these year-ends which have had their previous applications under the Special Program rejected, are encouraged to resubmit their applications.

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### Endnotes

1. See EY Global Tax Alert, [Malaysia releases 2019 Budget](#), dated 4 December 2018.
2. Where no prosecution has been instituted, the maximum penalty rate of 300% applies to taxpayers who fail to submit their tax returns; whereas the penalty rate of 100% applies to taxpayers who fail to report the correct income.
3. This generally refers to an accounting period ending in 2018.

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