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Budget 2022: Govt to increase tax revenue, address leakage

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KUALA LUMPUR, Aug 31 – The government is considering measures to increase tax revenue through increased tax compliance as well as address the issue of revenue leakages, especially involving the smuggling of high-duty goods estimated at RM5 billion per annum.

In a Pre-Budget Statement, the Ministry of Finance (MoF) said that among the recommendations in the study is the implementation of the Special Voluntary Disclosure Programme (SVDP) for indirect taxes administered by the Royal Malaysian Customs Department.

Through this programme, taxpayers are encouraged to voluntarily come forward to declare any tax that either has not been paid, underestimated or erroneously reported to Customs.

Others are Introduction of a Tax Compliance Certificate as a pre-condition for tenderers to participate in government procurement; and the implementation of the Tax Identification Number or TIN as well as reviewing tax treatment that is identified as having elements of revenue leakage or harmful practices.

The government is aware that a conducive investment environment, whether for foreign or domestic direct

investments, encompasses many aspects, including economic and political stability, consistent and transparent policies, efficient labour market, level of infrastructure facilities, sound governance structure, strong legal framework and decent quality of life in Malaysia.

“Fiscal incentives, including taxes, are one of the many factors that can attract investment; they can play an important role as a strategic policy tool in order to drive investments in Malaysia.”

As for addressing revenue leakage, MoF in the 17-page document said the Multi-Agency Working Group, chaired by the MoF to formulate strategies to curb smuggling activities, has been further strengthened by the participation of the Malaysian Anti-Corruption Commission and the National Financial Crime Prevention Centre.

“The government has also implemented measures to tighten controls on licensing and importation of cigarettes and tobacco products by freezing the issuance of new cigarette import licences, tightening the renewal of cigarette import licences through the imposition of import quotas, restricting cigarette transshipment activities at selected ports, and making cigarettes and tobacco products a dutiable item at all duty-free islands.”

In addition, the government has streamlined the definition of related companies for the purpose of group relief claims, imposed penalties for failure to provide Transfer Pricing documents and stipulated the requirement for taxpayers to settle taxes before commencing any proceedings against the government/director-general of Inland Revenue, said the MoF.

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