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Top News

100 per cent tax penalty too steep, say experts

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PETALING JAYA — The Inland Revenue Board (IRB) continues to come under fire for imposing a 100 per cent penalty on tax dodgers starting next year.

The Board, in a statement yesterday, defended the move saying the drastic measure was a way to deal with taxpayers who are "hardcore tax law defaulters".

Also, the penalty rate is in accordance to the Income Tax Act 1967.

However, Malaysia Chartered Tax Institute immediate past president SM Thanneermalai begged to differ.

As the current penalty rate is 45 per cent,

the new penalty as a "drastic jump", he said.

"Although it is purely at the discretion of IRB to decide on the penalty rate in accordance to the law, handing stiffer penalties is not the way forward," said Thanneermalai, who was also Crowe Horwath Tax-services Sdn Bhd managing director.

He added while penalties were meant to deter offenders, there were occasions where payments were not made due to "technical" issues.

"It does not mean there is no good governance (on the part of the contributor)," he said.

"We should aim for zero penalties by promoting good governance. Let's not be

rigid about it."

Lawyer Datuk Abd Shukor Ahmad, who specialises in company law, said the 100 per cent penalty was too steep and the decision was not based on any objective study or done in consultation with stakeholders.

"It's more like a compounded penalty," he said.

Among those liable to be penalised starting January next year were repeat offenders, and those who still fail to comply with tax laws even after they have been audited or investigated.

IRB director-general Datuk Sabin Samitah yesterday said: "The proposal to increase the rate of penalty to 100 per cent of the tax payable on the undeclared or under declared income beginning Jan 1,

2018 is a step towards elevating the level of voluntary compliance among taxpayers by dealing with taxpayers who are hardcore tax law defaulters.

The board listed five instances where the penalty applied, including against those who refuse to give full co-operation during an audit or probe, those who fail to give information or documents requested in audit, or participants of an organised tax evasion scheme.

"In preparation, taxpayers are encouraged to come forward and declare their income and correct information within the required time," he added.

IRB, had in January, said it aimed to collect RM127 billion in direct tax this year.